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ABSTRACT

The relationship between education and employment in Europe is analyzed with particular emphasis on the trends toward mass education, apparent saturation of the labor market, and a new structure of employment opportunities. The objective of the report is to contribute toward a redefinition of the nature of the education/employment relationship which is more congruent with recent social changes in Europe. The document is presented in six chapters. Chapter I reviews theories and assumptions concerning youth unemployment. Chapter II summarizes national studies of unemployment among youth in The Netherlands, Norway, Sweden, Germany, and the United Kingdom. Chapter III evaluates theories and evidence related to youth unemployment. Chapter IV considers policy measures by which various European governments attempt to cope with youth unemployment. Chapter V surveys and evaluates government policies. The final chapter summarizes the report and offers conclusions. Major conclusions are that programs should be developed to initiate early school leavers to the world of work, work and formal schooling should be combined to form educational and training activities, and more jobs should be created to provide training for early school leavers. (DB)

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European Cultural Foundation

INSTITUTE OF EDUCATION

EDUCATION AND EMPLOYMENT

The problems of Early School-Leavers

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
NATIONAL INSTITUTE OF EDUCATION

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by Olav Magnussen

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P R E F A C E

The relationship between education and employment or, more specifically, the transition from school or university to work, is without doubt one of the most important issues currently faced by the majority of European countries.

This was the primary reason which led the Institute of Education to study and analyse different aspects of the education/employment interface as a priority area of its programme, and to launch and pursue several activities directly related to it. The present report is the second publication of the Institute in this area, and follows a study by Konrad von Moltke and Norbert Schneevoigt analysing problems of educational leave in Europe (1). Two others will follow shortly : the first, a more theoretical and general report on the education/employment relationship by Didier Jeanperrin and Jacques Delors, and the second, the proceedings of an international conference on the same subject organized in Spring 1977 at Fère-en-Tardenois by the Institute, the International Council for Educational Development (ICED), New York and the Carnegie Council on Policy Studies in Higher Education.

In addition the Institute is closely involved with the work of the European Commission and the European Centre for the Development of Vocational Training (CEDEFOP), Berlin, and has prepared on their behalf several studies dealing with the vocational preparation of young people, their problems in returning to further education and their motivation towards school and work. This last is also being studied as part of a larger international project including the United States and Eastern Europe, which the Institute is organizing in conjunction with the University of Pittsburgh, and research centres in five countries.

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(1) Konrad von Moltke and Norbert Schneevoigt : Educational Leave for Employees. European experience for American Consideration. San Francisco, Jossey Bass, 1977.

It is intended that these activities and studies, as well as others to be started in the near future, will contribute to a broader and more ambitious objective which the Institute has set itself : to investigate and, if possible, redefine the nature of the education/employment relationship in the light of the latest developments in both sectors, with particular regard to the trend towards mass education, and an apparent saturation of the labour market or, at least, a completely new structure of employment opportunities. Already it is clear that this relationship cannot be adequately defined on the basis of any single existing theory, be they of human capital, manpower or social demand approach, cost/benefit analysis or others.

Nonetheless it is imperative that a new conceptual framework is created ; and the current work is a first step by the Institute in this direction.

The report was prepared by Mr. Olav Magnussen, Professor of Economics at the Regional College of Stavanger, Norway, and a regular consultant of the Institute. Mr. Norbert Schneevoigt made an important contribution assisting the author in data and information collection, and by the preparation of a paper concerning the Federal Republic of Germany. Mrs. Mary McGurn helped in gathering material on the United States, and the final version of the report also benefited considerably from the meeting on Youth-Education and Employment organized at Fère-en-Tardenois. To all of these the Institute is most grateful. Finally we also wish to thank Mlle Eliane Godefroy for the care and diligence with which she has prepared the manuscript for publication.

Ladislav Cerych

Director.

CONTENTS

Chapter I : Theories and assumptions concerning youth unemployment 1

Chapter II : Evidence on youth unemployment 18

Chapter III : Theories and evidence on youth unemployment. An evaluation 51

Chapter IV : Policy measures to cope with youth unemployment. Some general considerations 59

Chapter V : A short survey of current policies and policy experiments to cope with youth unemployment 75

Chapter VI : Summary and conclusions 97

CHAPTER I - THEORIES AND ASSUMPTIONS CONCERNING YOUTH UNEMPLOYMENT

A number of theories have been suggested to explain the phenomenon of youth unemployment. In most cases the objective has been the modest, but perhaps more realistic, one of attempting to explain only a few distinct characteristics, which reflects the different professional background and training of those studying this complex social phenomenon. It is highly probable that no comprehensive theory of youth unemployment can be developed, which will bring all its different facets into a unified conceptual framework.

Nonetheless a more comprehensive framework remains essential, at least as a first step towards formulating policy alternatives where some degree of consistency is needed, if only so that we can learn from experience and draw relevant conclusions.

As a first step towards the creation of this framework, it is our intention to try and present such theories as already exist, which are relevant for explaining one or more of the salient characteristics of youth unemployment. We shall then, by considering these theories together with the data at our disposal, attempt to assess their importance and validity, thus providing a common base for the making of policy recommendations or the evaluation of already existing policies.

To begin with, we intend to distinguish three main theories, as follows :

1) the institutional hypothesis,
2) the sociological hypothesis,
3) the economic hypothesis.

It is not our intention to insist that these are exclusive, or that those who proposed them have thought that they were. Rather, we regard them as complementary ; they are necessary, but not sufficient, for explaining youth unemployment as a social phenomenon.

1. The institutional hypothesis :

It is the social function of the school which constitutes the base of this theory. In its widest form it sees youth unemployment as a consequence of the failure of the school to bring the world of work into the educational process. Young people become unemployed simply because the school has not equipped them with the necessary tools to meet the demands of the labour market. There are two distinct aspects to this :

a) The first is concerned with the content of education in general within schools, the assumption being that the organisation of educational system has become increasingly "intellectual" or "academic" providing at each level, required knowledge and understanding to those expected to continue their schooling, often into adulthood, and for whom work experience will largely consist of applying the same modes of thinking as they learnt at school. But on the other hand, those who leave school at an early stage, particularly, if only with compulsory education or less, will not be equipped to meet the demands and requirements of working life.

b) The second aspect is less fundamental, and more concerned with the organisation of schooling. The distribution of pupils into general and vocational education, may be different from the actual demand for skills on the labour market. In other words, there can well be a numerical discrepancy between the skills learnt at school and those demanded by the economy. This may lead to unemployment where supply exceeds demand, or alternatively, excessive incomes where demand is greater than supply.

A well-known proponent of the first aspect described above is James S. COLEMAN (1) who points out that significant changes have

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(1) "How do the young become adults ?". Review of Educational Research, vol. 42, no. 4, 1972.

taken place in the functions of the family and in the workplace.

The family has lost its importance as a source of occupational learning because it is no longer society's central productive agency. Similar changes have taken place in the workplace. There has been a move towards large firms with bureaucratic organisations, and away from informal staff-hiring procedures towards more formal requirements, often regulated by law. And, perhaps most important, there has been a reduction in the type of job available requiring only a little education, and a parallel increase in the number of those demanding a higher level of education and training. Both the family and the workplace have therefore become less useful as providers of knowledge for the young. "In the family the young remain, while the activities from which they would learn have moved out ; in workplaces the activities from which the young could learn remain, but the young themselves have been excluded" (1).

COLEMAN further points out that the learning which took place in the home and at work was by experience and through having to act in a role which also had consequences for other people. This is different from the way in which learning is at present undertaken in the school, where cognitive understanding is the major, and often the only, part of the educational process. In other words, it is a relatively passive way of obtaining knowledge, which rarely allows pupils to experience the consequences of acting on that knowledge (2). Thus the young are shielded from responsibility, and become irresponsible : "They are held in dependent states, and they come to act as dependent, they are kept away from productive work, and they become unproductive" (3).

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(1) James S. COLEMAN, op. cit.

(2) Current educational practice does not in other words develop what have been called "associative abilities", but concentrates instead on tasks which require cognitive ability. But cognitive ability can be unequally distributed in the population, while associative abilities may not. See A. JENSEN, Educability and Group Differences, Methuen, 1973.

(3) James S. COLEMAN, op. cit.

If this way of describing present educational practice in western industrialized countries is a fair one, then it will have very significant consequences for early school-leavers. By contrast, to those who continue within the school-system, and perhaps eventually a university, it is beneficial, for it corresponds to the way they will approach reality in their working activities.

The insulation of school from working life is partly a consequence of the professional training of teachers. Even given the general climate of the school as being intellectual and oriented towards cognitive understanding, the consequences of this would most probably be less problematic for early school-leavers if their teachers represented a variety of educational background and working experience. In fact of course, this is far from being the case as the majority of teachers today have experienced only the schooling situation, both as practitioners of knowledge and when children themselves. This makes them singularly unfitted for the role of introducing pupils to the world of work and widening young peoples's knowledge of educational activity.

We have only described the more general features of the institutional model, but it is clear that they have predictive consequences for the employment situation of early school-leavers. Under this model early school-leavers will be equipped with few directly useful skills, and will be relatively costly to train (1). All other considerations being equal, they will suffer a higher rate of unemployment than young people with more schooling or training, and, if employed, will tend to be concentrated in occupations where little training is provided. And in general they will receive less training than other young people, regardless of occupation.

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(1) We have added an economic assumption to the institutional theory at this point.

Another consequence predicted suggests that for a given level of education, the rate of unemployment may be lower for young people with some vocational education, than for young people with only a general education. This hypothesis is based on the assumptions that vocational education is more directly related to the working situation, and that teachers in vocational subjects are more likely to have industrial experience than teachers in general education. In many cases, however, the links between vocational education and the working situation are far from perfect, and as a result the possible difference in employment opportunities may not be a considerable one (1).

The institutional model would also suggest that the present school system creates early school-leavers, on the assumption that cognitive abilities are unequally distributed in the population. If the period of compulsory education is a long one, there will exist among the older age-groups a number of pupils unable to benefit from an increasingly complex and abstract cognitive learning process. This will lead to high truancy rates, drop-outs from compulsory schooling, and a high proportion of pupils leaving at the earliest legally permitted opportunity, in short an increasing number of pupils rejecting schooling as such. It is conceivable that this group might be smaller if sufficient care were taken to develop their abilities. Their problems will also continue post-school as they are more likely to avoid training programs for the unemployed, on account of their traumatic experience with school.

We may conclude therefore that if this model is correct, present educational systems are causing unemployment among the young in two ways :

a) through an excessive concentration on passive, cognitive learning they are creating a group of school "rejecters" among pupils with limited cognitive ability,

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(1) See the discussion on this point below, pages 59 to 61.

b) thus they are not equipping those who opt to leave at the end of their compulsory schooling, or in some cases even earlier, with the necessary tools, for the modern labour market.

2. The sociological hypothesis :

The sociological hypothesis is not directly concerned with the educational process as such, but rather more with the behaviour of young people in school, and their attitudes towards school and work.

It has a number of different expressions. For example a first one is based on a consideration of the social processes which influence the demand for education, i.e. its contents and duration. Social class background is generally thought a significant variable in explaining the level of education as well as the type obtained. On the basis of this, one would expect that early school-leavers and drop-outs from compulsory or lower post-compulsory schooling, would come predominantly from the lower social stratum of society. Thus the tendency to leave school early, or even to drop-out from compulsory schooling, will be a consequence of the influence of powerful social processes determining access to, and the disposal of, those goods, services and attributes considered important in modern society. In other words, it is a consequence of fundamental social factors, and not a reaction to a school system failing to satisfy pupil aspirations or to develop particular abilities. The reason, then, for a higher rate of unemployment among young school-leavers is rather more that their level of education is insufficient, than that the content of it is irrelevant (1).

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(1) For an exposition of this theory, see R. BOUDON, Inégalité des Chances, Paris, 1974.

A second sociological theory argues that early school-leavers and drop-outs are more concerned with the immediate gain of earning an income as a low-skilled worker, than with deferring this gain and obtaining a higher income later as a more skilled worker. Again, the implication of this is that an unsufficient level of education is obtained and results in a higher rate of unemployment.

Another more popular theory may also be put under this heading, namely the argument that a higher general level of education has caused a change in work preferences among young people, and especially against certain types of manual work. Work exists, it is said, but early school-leavers are rejecting it when it is too heavy or low-skilled, because their education-induced aspirations have become higher. The large number of immigrant workers in this kind of work are often quoted in support of this suggestion.

A serious consequence of the two latter theories is that, if taken at face value, they may be an excuse for doing nothing with the problem of youth unemployment. We shall return to this question below, when we evaluate the theories presented here in the light of the evidence to be presented in chapter II.

3. The economic hypothesis :

The most common economic explanation of youth unemployment, apart from the influence of macroeconomic conditions, assumes that unemployment or job instability in general is tied to a lack of human capital investment. For the purposes of this report it is that part of human capital which consists of education and training which is most relevant (1).

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(1) For an elementary but elegant exposition, see M. BLAUG, "The Correlation Between Education and Earnings. What does it Signify ?". Higher Education, vol.1, no. 1, 1972.

The basic implication for policy of this understanding of unemployment would suggest that more schooling or training is the most important remedy for its socially undesirable consequences. The model seeks to connect the characteristics of youth unemployment with the deficiencies of training and schooling which it sees as the main explanatory factors. It is of course accepted that youth unemployment as a component of the overall unemployment situation, will be influenced by the same factors affecting the latter, and that policy measures aiming to reduce general unemployment are also likely to act to reduce youth unemployment. The model attempts therefore, to account for those factors which make the characteristics of youth unemployment different from overall unemployment, such as for example a higher level, more instability and the like.

The simplest understanding of human capital relevant in this context is that which assumes that enhanced formal education will lead to a higher investment in on-the-job training, especially "firm-specific" training (1) ; and that educated and trained labour is complementary in production to physical capital, or put somewhat differently, that within most firms there is a significantly high correlation between capital intensity and education intensity. There are in addition considerable costs associated with the recruitment, placement and redundancy of workers, which may be related to level of skill. Thus in a recession, firms will tend to lay off low-skilled workers but to retain those more highly skilled. The latter are more valuable as they represent capital investment for a firm through on-the-job training, which would be lost if redundant skilled workers were to obtain jobs with other firms.

It is, in other words, the cost of people relative to their productivity which determines their employability, and given this, one might expect

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(1) "Firm-specific" training can be said to exist when training raises the level of productivity of the trainee only in that firm which supplies the training. General training, on the other hand will also raise the productivity of the trainee in other firms. See G. BECKER, Human Capital, NBER, New York, 1964.

the wages of low-skilled workers including early school-leavers to fall sufficiently far as to compete with the more highly skilled. In fact there are a number of reasons why this is unlikely to happen, including the following :

- minimum wage law,
- union wage agreements,
- rigid wage scales in large firms,
- alternative income support from unemployment insurance,
- other social welfare funds,
- perhaps most important in the case of early school-leavers, financial support from the family.

A further argument is connected with the concept of the so-called "protected" or "internal" labour market. In larger firms the cost of recruitment and placing of employees has gradually increased, as a consequence of an increasing amount of "firm specific" on-the-job training. Thus turnover is very expensive for the firm, and its reduction is sought through increased wages and benefits for those it already employs. Jobs are therefore stable, especially for those adult males with relatively high levels of on-the-job training.

The consequence of these arguments is to strongly relate job instability and rate of unemployment to the skill level. And a further reason for a relatively high rate of youth unemployment in particular is that the cost of unemployment for this group is clearly lower than for others, especially as it is sometimes possible for them to rely on their families for economic support.

A particular type of human capital theory is that called the "search" model, where it is assumed that the benefits of job-search may be greater for young people than for adults. The former may have little knowledge of their skills and preferences, and employers may know less about them than adults with longer work experience. This increases

the variation in job offers and job demands. Together with the lower costs of being unemployed, this model would predict a higher average rate of unemployment for young people. Thus it is agreed that high unemployment rates among teenagers are not necessarily socially undesirable, but a necessary consequence of the initiation into the world of work.

The human capital model outlined here points to lack of schooling and training as important factors in explaining high rates of unemployment and job instability. The prescription for remedial policies is therefore to increase schooling and training for unemployed teenagers combined with efforts to equalise their prevalence in society. Most of the training provided for unemployed teenagers will have to be organised through private firms. However the human capital model points out certain difficulties in the allocation of resources to training by private firms, and suggest that these may lead to less of a training provision than the socially optimal amount.

The training provided by firms will to some extent be determined by the anticipated turnover of workers. In the case of those not expected to leave early, for example, married men between 25 and 35 years of age, training will be provided, the cost of which a firm will often be willing to bear itself, at least in part, as the worker turnover is low, the likelihood of a capital loss therefore low also. This is not so however in the case of unskilled teenagers with very high anticipated turnover rates. Since in most cases firms must be prepared to bear some of the costs associated with training, they will limit it to the minimum for this group and assign them jobs with little training content. This in turn will increase turnover, for these jobs will be the lowest paid, and the least desirable in other respects. The human capital model therefore predicts that in order to provide enough training through private firms for school-leavers, firms must be subsidised so as to lower their training costs. In other words, if the objective is to increase the availability of on-the-job training for early school-leavers, then society must bear some of the costs.

This conclusion may need some modification in the case of large firms, as the propensity to provide training will depend on the size of the firm relative to the local labour market. A large firm in a relatively small market, will have less reason to fear high turnover rates than a smaller firm, even among the young, and this will lead to the provision of more training for all groups of workers. Firms which lead or have an important position in the production of specialized products, will also have an incentive to provide more training than other firms, since in this case it will be very "firm specific" and of little use to others (1). There may also be important economies of scale in the production of training materials, so that the larger the firm the lower the costs per trainee. Large firms are also on average more capital intensive than smaller ones, and if capital intensity implies training intensity, there will also be, for this reason a tendency for larger firms to provide more training than the average-sized.

It is sometimes argued that technological change is the reason for the reduced number of suitable vacancies for young people. The economics of technological change, however, do not lead us to think that it is the villain of the piece. There is no reason why technological change should be biased towards any skill group, especially if the change in technology is induced by the desire for lower costs of production. A saving of one dollar on a cheap factor of production is as important as the saving of a dollar on an expensive factor of production. And if technological change is autonomous there is every reason to believe that this change will be neutral, in the sense that it is equally likely that it will be labour-saving as labour-using.

A related argument is that an important reason for the high level of teenage unemployment is a decline in the number of jobs suitable for unskilled school-leavers. Although it is difficult to refute this argument directly, as that would imply a detailed analysis of the operational content of each job over time, it can more easily be dismissed for other

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(1) The tendency by large firms to invest more in their labour force, who thereby obtain higher earnings, has been observed in the case of Japan. See V. STOIKOW, "Size of Firm, Workers' Earnings and Human Capital : The case of Japan". Industrial and Labour Relations Review, July 1973.

reasons. For example it will be shown below that teenagers are over-represented within the services and trade sectors of the economy, or in those which have had the highest growth in total employment since the war. Services and trade have expanded and more new jobs have therefore been created for relatively unskilled personnel than the number of jobs disappearing. But the most decisive counter-argument is the straightforward empirical one. There are, quite simply, more employed teenagers today than say, twenty years ago. The United States is a typical example. In 1955 the number of employed teenagers in the USA were 3.6 million, a number which had more than doubled by 1974, to 7.4 million, hardly supportive evidence for those who would argue that the number of jobs suitable for teenagers has been declining.

There is also an economic argument which points to the possibility that a high level of youth unemployment may become more frequent in the future than it is today, or that the rate of youth unemployment will stabilise on a higher level. This is because labour costs have been increasing faster in recent years than capital costs, and even the costs of employing low-skilled labour have risen very rapidly. It may be that a situation will soon be reached, if it has not already, when the use of capital is so cheap, compared with the costs of the most vulnerable groups of labour, i.e. early school-leavers and old workers, that physical capital will be preferred in all production processes where the alternative is low-skilled labour.

In the rich industrialized countries, reforms are being introduced to improve working conditions. Inevitably these will lead to increased costs of labour relative to capital, consequently reducing the employability of marginal groups, such as young unskilled workers, women with short labour market experience and older workers.

These economic arguments lead, as has already been said, to the conclusion that increased schooling and training will be the most

important remedial policies for coping with youth unemployment. But they have met with considerable criticism, especially in the United States. In particular it has been suggested that the effects of manpower policies, which in the USA are based on the theoretical framework outlined above, have been, if not directly negative, then certainly at least very mixed (1).

Alternatives to this framework have therefore been proposed and we shall present one of these here, which will lead to a different consequence for policy-making than models which stress the insufficiency of investment in human capital in a labour market based up on wage competition. This alternative framework has been best presented by Lester THUROW (2). He assumes an economy where individuals with different background characteristics compete for jobs. Wages in this economy are rigid, and there is no wage competition. All productive skills are learnt "on-the-job" and the background characteristics of each person determine the cost of training. Such a model appears realistic in the present situation where we are concerned with those who have low skills initially and who would obtain therefore most of their relevant skills through on-the-job training.

Under this model there is assumed a distribution of individuals, which we might term the "labour queue". A set of personal characteristics determine the relative position of each individual in this queue. But another set of factors, mostly technological, determine the distribution of job opportunities, and workers are distributed across these, depending on their relative position in the "labour queue".

In Thurow's economy, skills do not exist in the labour market independent of jobs. New workers leave school with a variety of general skills and personal characteristics such as education, sex, age and the like. These skills and characteristics affect the cost of training a new worker, but

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(1) Glen C. CAIN. "The Challenge of Segmentod Labor Market Theories to Orthodox Theory : A Survey", Journal of Economic Literature, Dec. 1976.

(2) Lester C. THUROW & Robert E.B. LUCAS. The American Distribution of Income : A Structural Problem, Joint Economic Committee, Congress of the United States, 1972.

they are not sufficient for that worker to enter directly into the production process. It is one of his basic arguments that most job skills, general or specific, are acquired either formally or informally through on-the-job training after a worker has entered a job. A survey of occupational training among adult workers in the United States (1) found that only 40 per cent used skills which they had acquired during formal education. The remainder stated that they had acquired all of their job skills through informal, casual on-the-job training. Even two thirds of college graduates agreed that they had acquired job skills in this informal way. When asked to rank in order of importance the various ways of obtaining their present skills, only 12 per cent listed formal training and specialised education.

A very important implication of this model for our purpose is that it is the demand for job skills which determines which jobs will be taught. Workers with the background characteristics yielding the lowest training costs will be selected. In other words, the number of skills taught will depend on the state of the economy ; in a recession fewer job skills will be created than in a tight labour market, and in a recession also it will be the newcomers with the least attractive background characteristics who will suffer most. In addition, the relative distribution of school-leavers by background characteristic, determining the distribution of training costs, will have consequences for the demand for new workers. A large number of school-leavers with relatively low training costs, i.e. vocational education or general secondary education, may mean that jobs, even in a relatively tight labour market, will not be available for those with high costs of training such as early school-leavers.

Costs of training are the basic determinants of position in the "labour queue" : the lower the costs, the higher the position, and the greater the possibility of being accepted for a job. But direct evidence on training costs is rarely available, particularly in the case of school-leavers.

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(1) US Department of Labour, "Formal Occupational Training of Adult Workers" Manpower Research Monograph, 1964.

Employers will therefore rank workers according to background characteristics such as age, sex, educational attainment, previous skills, psychological tests and the like, each of these factors being used as proxies for the costs necessary to produce some standard work performance. Given the "labour queue", jobs are distributed among individuals by employers who work down from the top of the queue, i.e. from those with the lowest training costs, to those at the bottom who have the highest training costs, that is, early school-leavers.

Assume now an economy with a stable rate of growth which until recently has created enough new jobs to absorb all school-leavers ; however, the expansion of the school system, gradually attains a higher rate of growth than the economy, changing the distribution of school-leavers towards those with lower training costs. Unemployment will then tend to develop among those with the highest costs, since they will now be replaced by those with lower costs, i.e. higher levels of education either in the form of general secondary education or vocational education. If at the same time economic growth slackens falling below the rate of growth which will secure full employment, the unemployment problem for people with high training costs will be aggravated.

If this model is relevant, the reason why unemployment of early school-leavers may be a long term structural problem should now be clear. It is the strong growth in secondary and higher education in the recent past and forseeable future, which has pressed, and will continue to press, low-skilled workers downwards in the labour queue, and thus deprive them (particularly new entrants) of job opportunities.

The theory of the "labour queue" explains the tendency to rather violent fluctuations in youth unemployment in the short-term. For only the lower part of the queue will be influenced by changes in economic conditions. During periods of recession job opportunities for this part of the queue will contract, expanding in times of labour scarcity. Other parts of the

"labour queue" will stay relatively untouched by changes in economic conditions. It follows therefore that since early school-leavers are concentrated in the lower part of the queue, their employment conditions are vulnerable to more abrupt changes than other groups.

This model may have implications for policy, different from those of the traditional model. The following, for example, are of immediate interest in our case ;

1. Potential school-leavers must be induced to stay in school or some form of educational activity where they can learn more general skills.

2. Traditional manpower programmes aimed at reducing unemployment for those already in the labour market, will have less effect than within the traditional model, there being two main reasons for this :

   a) These programmes will only change the form of the "labour queue" and not influence job opportunities directly, as implied by the traditional model.

   b) Since most skills are acquired on-the-job, it is very difficult to design government training programmes which will teach the skills actually used. "Even if skills can be taught in formal training programmes workers find that labour markets are not able to absorb them since normal entry jobs are not skilled jobs" (1).

3. The distribution of job opportunities must be changed and this can only come about through an alteration in the structure of labour demand. Thus it is not sufficient to alter worker characteristics i.e. increase their level of education, but the processes of production must also be changed in order that certain types of worker be employed at all. But this may require

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(1) Lester C. THUROW, op. cit.

development of more labour intensive processes, whereas the general thrust of economic development is towards more capital intensive processes. The obstacles to a change in the production in this direction are therefore likely to be insurmountable. Some change in the structure of demand however may be achieved through a system of employment quotas for the low-skilled, or by subsidies to induce firms to employ more unskilled workers.

4. On-the-job training may not be developed even in cases where firms are subsidized to provide it. In order to increase this kind of training therefore, the involvement of adult, experienced workers is essential. If these workers feel that their own job security or promotion prospects may be jeopardized, they will refuse to supply training to unemployed school-leavers and attempt to monopolise specific skills within each firm. Thus, in an economy with widespread unemployment, training may not be forthcoming even in the presence of large public subsidies to cover its costs.

CHAPTER II - EVIDENCE ON YOUTH UNEMPLOYMENT

1. Level of unemployment amongst 16-19 year olds :

Various national studies of youth unemployment have shown that the rate of unemployment for teenagers is considerably higher than the average unemployment rate for all age-groups, and Table 1 summarises the relevant evidence for the specific countries included in this study.

Table 1

RATE OF UNEMPLOYMENT IN 1975 AMONG 16-19 YEAR OLDS

	1	2	2/1
	Average for all age-groups	16-19 year olds	
The Netherlands	3.3	6.9	2.1
Norway	1.1	3.0	2.7
Sweden	1.7	5.3	3.1
Germany	3.0	6.5	2.2
United Kingdom	4.6	9.1	2.0
United States	8.5	19.9	2.3

SOURCES : EEC countries : Statistical Office of the European Communities ; USA : Department of Labour ; Sweden : Arbetsmarknadsstyrelsen ; Norway : The Youth Survey 1975, The Directorate for Labour 1976.

The rates in Table 1 are not directly comparable between countries because different methods have been used to assess the level of unemployment and this is of particular significance when measuring youth unemployment. In some countries unemployment figures are based on the number of people reporting to labour exchange offices, in which case unemployment for teenagers will almost certainly be underestimated compared with adults, as all studies show that relatively fewer young unemployed report to labour exchange offices. The reason for this is partly the belief that registering as unemployed is a waste of time, and partly the fact that the majority of countries only provide limited financial benefit for the young unemployed or none at all. The incentive to become registered as unemployed must therefore be weak. Other countries base their employment statistics on labour force surveys. People recorded as unemployed and belonging to the labour force are those who have been actively seeking work over a certain period of time. But even in these circumstances the teenage unemployment rate will be underestimated relative to adults, as it is well known that among groups with a relatively weak adhesion to the labour force, such as the young and many women, there are those who desire work but are not actively seeking it and who are therefore not counted as unemployed. This "discouragement" effect may vary from country to country, but there is no doubt of its existence.

Additional problems concerned with the measurement of youth unemployment may be seen more clearly, if we draw a distinction among the following groups of teenagers, namely, those :

(1) in full-time schooling, but not working,
(2) in full-time schooling and working part-time,
(3) studying part-time, working part-time,
(4) working full-time, studying part-time,
(5) working part-time but not studying,
(6) working full-time but not studying,
(7) neither participating in the labour force, nor studying.

In most countries teenagers in full-time schooling but working part-time would not be counted as members of the labour force, and therefore not as unemployed, even if they leave their part-time job non-voluntarily. To our knowledge however, only the United States have unemployment statistics based on a classification similar to (1)-(7) above.

Of the 16-19 year-olds enrolled at school in the United States during October 1975, as many as 40.8 % participated in the civilian labour force with an unemployment rate of 17.1 %. Of those not so enrolled, 38.5 % did not participate in the civilian labour force, and were consequently not registered as unemployed, even though many of them wanted work. Similarly many teenagers with part-time jobs would prefer a full-time one, but this is not recorded in official statistics.

The difficulties connected with the measurement of teenage unemployment, as well as with the various methods used to do so, make it almost worthless to compare unemployment rates for teenagers across countries, although it is probably a fair statement to suggest that teenage unemployment rates in the United States are overestimated compared with Western Europe. It is also difficult to compare teenage unemployment rates with those for adults, but in the latter case, we can be almost certain that whatever the method of measurement, the teenage rate is underestimated compared with that of adults. Thus, if the measured rates of teenage unemployment, as shown in Table 1, are higher than for adults, we can be reasonably sure that unemployment is more widespread amongst the young than amongst adults in the majority of countries.

It is a relevant question however, whether the rate of unemployment is a valuable indicator of the state of the labour market for young people. Teenagers have a weak attachment to the labour force : they

move easily in and out of it, and may experience a number of jobs in their search for stable employment. Programmes to increase youth employment may therefore succeed in creating more jobs, but also a higher rate of unemployment if more teenagers are encouraged to look for work than the number of new jobs created.

A common and important classification of unemployment is by sex, and the distribution of unemployment by sex of 16-19 year olds is shown in Table 2 below :

Table 2

UNEMPLOYMENT RATES BY SEX AND COUNTRY

FOR THE 16-19 YEAR OLDS 1975

	Male	Female	Average
The Netherlands	8.1	5.9	6.9
Norway	2.7	3.3	3.0
Sweden	3.8	7.1	5.3
Germany	6.3	6.7	6.5
United Kingdom	8.9	9.3	9.1
United States	20.1	19.7	19.9

SOURCES : as Table 1 above.

For the majority of the countries considered therefore, female unemployment is higher than that of males. The exceptions are The Netherlands and the United States but in the case of the latter, time

series data for the years since the end of World War II, indicate that a higher unemployment rate for men, may only be a cyclical phenomenon. Over the years the two unemployment rates have moved in parallel on approximately the same level.

Generally however it is difficult to compare unemployment rates for men and women and particularly for this age-group. There are two main reasons for this : first, there is a greater tendency for women to withdraw from the labour market in times of recession, i.e. the "discouragement" effect (see above). Official unemployment rates, which do not capture this, therefore tend to underestimate the real extent of unemployment among women.

And second, data from the United States (1) show a positive relationship for teenage girls between school-enrolment/school-retention rates and business conditions but no similar tendency has been detected for boys. This procyclical movement of girls' enrolment/retention rates is interpreted for the United States as being due to their superior productivity at home. If it is a common phenomenon, in other countries as well, unemployment rates for teenage girls may be underestimated relative those of boys for two reasons : first, a stronger discouragement effect than for boys and second, a tendency to move in and out of school in response to changing business conditions. Thus, equally high unemployment rates for both sexes may signify less good employment prospects for girls than boys.

2. Fluctuations in unemployment for the 16-19 year olds :

We have established above that the tendency for teenage unemployment rates to be higher than the average rate appears to be a general

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(1) Linda N. EDWARDS : "School Retention of Teenagers over the Business Cycle". Journal of Human Resources, vol. IX, 2, 1974.

phenomenon in Western industrialised countries. Another distinct feature is the tendency for the teenage unemployment rate to show more variability, or, to fluctuate more violently over time, both in absolute and relative terms, than average unemployment for all age-groups. In Table 3 below, we have presented evidence on this for some of the countries included in this study.

Table 3

MAXIMUM AND MINIMUM RATES OF UNEMPLOYMENT FOR THE 16-19 YEAR OLDS AND FOR ALL WORKERS IN FIVE COUNTRIES

	Age groups	Maximum rates	Minimum rates
United States 1960-1974	. 16-19	19.9 (1975)	12.2 (1969)
	. Over 20	7.3 (1975)	2.7 (1969)
Great Britain 1961-1973	. Under 20 (men)	7.6 (1972)	0.8 (1961)
	. All-age-groups (men and women)	3.6 (1972)	1.3 (1965)
	. 30-39 (men)	4.0 (1972)	1.0 (1961)
The Netherlands 1966-1975	. Under 19 (men)	9.2 (1975)	1.3 (1970)
	. All-age-groups (men)	5.3 (1975)	1.4 (1966)
	. Under 19 (women)	5.2 (1975)	0.4 (1966)
	. All-age-groups (women)	4.2 (1975)	0.5 (1966)
Sweden 1960-1972	. 17	10.0 (1972)	3.1 (1967)
	. 18	8.3 (1972)	2.2 (1965)
	. 25-29	2.5 (1972)	0.9 (1965)
Germany 1967-1976	. Under 20	5.8 (1975)	0.3 (1969)
	. All unemployed	4.4 (1975)	0.4 (1970)

SOURCES :
. United States : Manpower Report of the President, 1975.
. Great Britain : There is Work to be Done, Manpower Services Commission, 1974 (nb : Northern Ireland is excluded from these figures, but has the highest rates of youth and overall unemployment within the United Kingdom).
. The Netherlands : Annexe au rapport : Préparation des jeunes à la vie du travail... Comité de l'Education des Communautés européennes, 1976.
. Sweden : AKU (Annual Labour Force Surveys).
. Germany : Bundesanstalt für Arbeit. Data are for the month of September.

Table 3 shows very clearly the more violent fluctuations in unemployment rate for young school-leavers. In other words, it is clear that the labour market for the young under 20 years of age is considerably more unstable than it is for adults. The USA however would appear to be an exception to this rule. But if we compute the ratio of unemployed teenagers in the United States to the total number of unemployed, it will also show considerable fluctuation (see Table 4 below). The problem in this case is that if teenagers have a relatively strong inclination to withdraw from the labour force in times of recession and to re-enter it when unemployment declines, this effect will tend to weaken the fluctuations in the official unemployment rate.

Another, and perhaps more illustrative way of showing the fluctuations in unemployment for teenagers is therefore to compute the number of young unemployed as a proportion of all unemployed. The results of doing this for a number of countries are shown in Table 4.

Table 4

PROPORTION OF YOUNG PEOPLE AMONG THE UNEMPLOYED

	1967	1970	1973	1976
The Netherlands	22.8 (1968)	37.7	28.7	36.3
Norway	-	10.3	12.3	18.6 (1975)
Germany	5.6	7.7	9.6	11.4
United Kingdom	25.9	27.3	27.5	43.9
United States	28.1	26.8	28.5	22.3 (1975)

SOURCES :
. EEC countries except Germany : Commission of the European Communities.
. Norway : AKU (Labour force Surveys).
. United States : Department of Labor.
. Germany : Bundesanstalt für Arbeit.

(nb : note that the definition of young people differs across countries in this table : for the Netherlands, it is 15-25 years, Germany, under 20 years, U.K. 16-25 years, Norway, under 20 years and USA, 16-19 years).

3. Trends in the unemployment rates for the 16-19 year olds :

An important question is whether the unemployment rate for 16-19 year olds has been stable, declining or rising over time, and to what extent, if any employment prospects for this group have changed compared with other groups. An inspection of the data from the various countries under review during the period 1960-1975 shows that for the ten-year period 1960-1970 the rate of unemployment for this group was relatively stable with the exception of the United Kingdom where it has shown a steady growth since 1966.

In all the countries however for which data is available, it has been rising since around 1970. It is true that in Germany it rose only slowly until 1973, but in 1973-1974 there was an explosive growth. In Table 5 below, we have presented the most significant of the relevant data for this latter period.

Table 5

UNEMPLOYMENT RATES FOR THE 16-19 YEAR OLDS 1970-1975

	1970		1971		1972		1973		1974		1975	
	M	F	M	F	M	F	M	F	M	F	M	F
The Netherlands	1.3	0.5	2.0	0.7	4.0	1.3	3.8	1.8	5.6	3.1	9.2	5.2
Germany	0.4		0.6		0.7		1.0		3.4		5.8	
Great Britain	4.4		6.8		7.6		4.2				8.9	
United States												
1)All groups	15.3		16.9		16.2		14.5		16.0		19.9	
2)White men	12.0		15.1		14.0				14.5		18.5	
3)Minority groups (male)	25.0		28.5		28.7		27.0		31.0		35.5	

SOURCES :
. The Netherlands : see Table 3.
. Germany : Diagnose der Beschaftigungsrisiken von Jugendlichen, Bund-Länder-Kommision für Bildungsplanung und Forschungsförderung, Bonn, 1976.
. Great Britain : see Table 3.
. United States : Department of Labor.

M : male ; F : female.

For the European countries the trend is clear - there has been a relatively steady increase in the unemployment rate for teenagers over the period 1970-1975. In the United States, the rate was stable for white men until 1974, but there has been a significant rise between 1974 and 1975. For males in minority groups, there has been a steady increase, from 25.0 % in 1970 to 35.5 % in 1975, only 1973 being an exception.

The average rate of unemployment for all age-groups has also risen in the majority of countries during this period, but at a slower pace, so that the share of unemployed teenagers in total unemployment has grown, except for the United States (see Table 4 above). But we cannot, on the basis of this data, draw the conclusion that employment prospects for young people have become more serious compared with other age-groups. Its more rapid rise may be a cyclical phenomenon, and as has been shown above, there is a tendency towards sharper fluctuations than in the adult unemployment rate. Nonetheless, it is disturbing that teenage unemployment has grown so rapidly during a period in which school-enrolment for the 16-19 year olds also grew at a brisk pace. This means that the absolute number of young unemployed must have been growing extraordinarily rapidly since they belong to a group of early school-leavers, whose numerical importance has only grown very slowly, if at all. As an illustration of this, consider the case of Germany, where the absolute number of young unemployed increased from 20,960 in September 1973 to 115,800 in September 1975 (i.e. an increase of 450 % over two years in the absolute number of unemployed between 16 and 19 years of age). It is this substantial increase which may suggest the possibility of a structural shift downwards in job opportunities for young people, but a longer period of observation is needed before any firm conclusions can be drawn.

In most countries the number of teenagers has grown as a proportion of the total population, and it has been alleged that the faster growth in youth unemployment than overall may be due to this. When

the supply of one type of labour grows very rapidly, the labour market needs time to adjust, and during the transition period unemployment may develop for the type of labour concerned. However while this description of the actual situation may be a realistic one, it cannot in our opinion be more than part of the story. Consider for example developments in the United States, described in Table 6 below.

Table 6

TEENAGERS AS A PROPORTION OF THE TOTAL POPULATION COMPARED WITH INDICATORS OF UNEMPLOYMENT 1960-1975 (in %)

	Teenagers as a proportion of the total population	Teenage unemployment as a proportion of total unemployment
1960	10.3	18.4
1967	12.3	28.1
1970	12.4	26.8
1975	12.7	22.3
	Ratio of teenage employment to teenage population	Ratio of teenage unemployment to teenage population
1960	38.9	14.7
1967	40.3	12.7
1970	41.2	15.3
1975	42.3	19.9

The data presented here do not give us a clear picture of the relationship between the demographic factor (i.e. teenagers as a proportion of the total population) and unemployment indicators. The unemployment rate fell, for example, between 1960 and 1967, a period during which the proportion of teenagers rose from 10.3 % to 12.3 % of the population. And since 1967, the rate of unemployment has increased rapidly, even though teenagers as a proportion of the total population has been almost constant.

Another factor which we believe to be much more important in explaining the growth in teenage unemployment is the increased labour force participation of adult women. In most Western countries labour force participation rates for women have increased especially rapidly since the late nineteen-sixties. In the United States, for example, their labour force participation rate increased from 36.7 % in 1970 to 39.7 % in 1976, the most rapid increase occurring in the age group 25-34 where it increased from 45.0 % to 57.1 %. Adult women and teenagers are probably competing groups in the labour market, for data presented below will show that, to a larger extent, teenagers and adult women compete for the same jobs.

4. The duration of unemployment among the 16-19 year olds :

It is well-known that a higher than average rate of unemployment among teenagers is partly due to a higher than average rate of turnover, or a higher rate of job-changing than among adults in the labour force. On the other hand, the duration of unemployment tends to be lower for teenagers than for adults. Unemployment among the 16-19 year olds is therefore predominantly short-term. Table 7 shows the duration of unemployment for this age-group in Sweden and the Netherlands in recent years, while Table 8 shows the distribution of male employees by age and duration in Great Britain.

Table 7

DURATION OF UNEMPLOYMENT IN SWEDEN AND THE NETHERLANDS FOR SELECTED AGE-GROUPS IN RECENT YEARS

	Age-groups	Years				
		1971	1972	1973	1974	1975
Sweden (weeks)	16-19	9.2	10.9	10.2		
	20-24	8.9	12.3	12.9		
	16-74	13.5	16.2	16.7		
The Netherlands (months)	Under 19	1.1	1.5			2.9
	19-24	1.4	2.1			3.6
	25-64	2.7	3.7			5.5

SOURCES :
. Sweden : AKU (Annual Labour Market Surveys).
. The Netherlands : see Table 3.

Table 8

AGE AND DURATION OF UNEMPLOYMENT (JANUARY 1976) IN GREAT BRITAIN (MALES)

Duration (weeks)	Under 20	All ages
. Up to 4	23.3	15.4
. Over 4 up to 8	18.5	14.7
. Over 8 up to 26	42.4	35.9
. Over 26 up to 52	12.6	17.3
. Over 52	3.2	16.7

SOURCE : Department of Employment Gazette.

The duration of unemployment is cyclically very sensitive. The duration of teenage unemployment in particular therefore tends to increase rapidly during recessions, as suggested by the data for the Netherlands in the table above. The proportion of German teenagers who had been unemployed for more than three months increased from 20.6 % of the total unemployed in 1974, to 36.8 % in 1975. Compared with 1973, the proportion of teenagers experiencing a duration of unemployment of more than fifteen weeks had more than doubled in the United States by 1975. The latest recession has therefore had important and serious repercussions upon teenage unemployment. Not only has the rate increased, but a major reason for this is probably a lengthening of the duration of unemployment, which is, as we shall argue below, especially serious in terms of effects on later earnings and employment opportunities.

The United States labour market appears more efficient than those in European countries in terms of reducing the duration of unemployment. In 1975, when the teenage unemployment rate was 19.9 % in the United States, only 25 % of those unemployed experienced a duration lasting more than three months, while 36.8 % of unemployed German teenagers were unemployed for more than three months during the same year, although this must be compared with a much lower rate of unemployment among German teenagers, 6.5 % in 1975.

The short duration of teenage unemployment is also related to the fact that the proportion of unemployed young people who are new entrants or re-entrants is larger for teenagers, and the duration of unemployment is shorter for entrants than for workers who have lost their jobs. Similarly, if teenagers have difficulties in obtaining a job they are more apt to drop out of the labour market than adults. For the United States it is possible to divide the total rate of unemployment into four parts :

(1) the job loser rate,
(2) the job leaver rate,
(3) the re-entrance rate,
(4) the new entrance rate.

In Table 9 this classification is used to contrast the reasons for unemployment among teenagers with those for adult unemployment.

Table 9

REASONS FOR UNEMPLOYMENT

TEENAGERS AND ALL WORKERS, 1975

	Teenagers	Total unemployed all ages
Unemployment rate	19.9	8.5
Job loser rate	5.3	4.7
Job leaver rate	1.7	0.9
Re-entrant rate	6.0	2.0
New entrant rate	7.1	0.9

SOURCE : Bureau of Labor Statistics ; Employment and Earnings (January 1976).

Re-entrance or new entrance resulted in an unemployment rate among teenagers of 13.1 % compared with only 2.9 % for all workers, or 65.8 % and 34.1 % respectively of the unemployment rates for the two groups. On the other hand job losing accounted for only 26.6 % of unemployment amongst teenagers, while it was responsible for

55.3 % of total unemployment among all workers. Voluntary job leaving accounted for only 8.5 % of unemployment in the case of teenagers and 10.6 % of that for all workers.

Even if, generally, the duration of unemployment is shorter among young workers than adults, it may still have relatively serious long term effects. Recently, evidence has been presented which suggests that even quite short spells of unemployment among young people can have important negative repercussions on their life-earnings profile. In a longitudinal study of the wages of very young men (14-24 years of age in 1966), Z. GRILICHES (1) found that for those with no initial work experience, one year of this could have as much influence on later earnings as a full year at school, while the effect was reduced to half of the initial impact after seven years of work experience and to only a quarter after fourteen years. Thus work experience is more important in terms of later earnings when one is young than when older, which means that a period of unemployment for a teenager is more serious in terms of long-term effects than for an older person. If we take the estimates above at face value, they suggest that a period of unemployment of six months at the age of 18 would be equally serious in terms of negative effect on later earnings, as a full year at the age of 25.

5. The rate of turnover for the 16-19 year olds :

Since the duration of unemployment for the youngest workers is relatively short, and their level of unemployment higher than the average for all age-groups, the rate of job change per year or the rate of turnover must be higher for younger workers than adults or workers in general. Information has been obtained on the rate of turnover for Sweden and the United States for 1972 and Great Britain for 1974 ; and this is summarised in Table 10.

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(1) Z. GRILICHES, "Wages of Very Young Men". The Journal of Political Economy, Essays in Labour Economics, Aug. 1976.

Table 10

TURNOVER IN THREE COUNTRIES BY SELECTED AGE-GROUPS

	Age-group	Turnover
Sweden (1972)	16-19	37.9
	All ages	8.6
United States (1972)	16-19	49.7
	All ages	22.1
Great Britain (1974)	18-24	31.0
	Over 45	7.0
	All ages	15.0

SOURCES :

. Sweden and the United States : Nancy S. BARRETT and Bo SØDERSTEN, "Unemployment Flows, Welfare and Labour Market Efficiency in Sweden and the United States". Swedish Journal of Economics, no. 3, 1975.

. Great Britain : The Economist, Jan. 1, 1977.

In Sweden, over one teenager out of three changed jobs during the year, and nearly one out of two in the United States. The picture in Britain is very similar to Sweden, with a little under one in three changing jobs among the age-group 18-24. If Sweden and Britain are representative of the Western European countries generally so far as the structure of labour market behaviour is concerned, then it would seem from this table that the higher unemployment rates of all age--groups in the United States than in Europe, can to a considerable extent be explained by the much higher rate of turnover for all age--groups in the United States.

A relatively high rate of turnover for very young workers is not on the face of it a matter for concern. The age-period 16-25, say, is a period of transition from school to work or a learning process whereby skills and preferences are matched with jobs. This process must therefore be characterised by frequent periods of job search, for very few people at this age will have sufficient knowledge of the requirements of various occupations, and their own capabilities and preferences, to know immediately where they will best "fit in" ; and even if they were to know, the intake of workers to many professions and occupations is regulated by union policies, minimum wage requirements or legal constraints and the like, which can lead to periods of waiting time in relatively unsatisfactory jobs or unemployment.

However if a high rate of turnover is a sign of job dissatisfaction, it is far from certain that a change for the unskilled early school-leaver will necessarily lead to a better job. Frequent changes for the young unskilled may lead nowhere in terms of direct job satisfaction or earnings. There is considerable evidence that irrespective of age, job satisfaction and earnings together with social status are correlated with formal education, and the possibilities for in-career training. It is probable therefore that those who are unskilled with unsatisfactory jobs when young, will stay that way the whole of their working life. In fact, frequent job changes may even be detrimental in terms of obtaining a better job with higher earnings in view of the reduction in accumulated work experience which frequent job changes may lead to.

A German survey (1) shows that, of young unemployed workers in September 1974, 27.4 % were unemployed in September 1975. Of these, 14.7 % had been continuously unemployed while the remaining 12.7 % had found work but become unemployed again. Clearly therefore a substantial

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(1) C. BRINKMANN, K. SCHOBER-GOTTWALD, "Zur beruflichen Wiedereingliederung von Arbeitslosen während der Rezession 1974/1975". MittAB no. 2, Stuttgart.

minority become unemployed very often or experience very long spells of unemployment, which over a time-span of only a few years may add up to a considerable amount of time without work.

Frequent job changes may also be for employers a sign of inability to hold a job, and lead to a bad employment record, which will increase the difficulties in obtaining more permanent position as one grows older. A sample survey (1) of unemployed early school-leavers in Great Britain showed that finding a job became progressively more difficult as age increased from 15 to 17. The median length of unemployment for 15 year olds was 3.7 weeks, which increased to 5.9 weeks at the age of 16, and 7.3 weeks at 17. In its comment the report states that "this finding may be connected with the fact that certain frequent job changers have had time when they reach the age of 17, to build up what employers call a poor employment record" (2).

This tendency towards increased length of unemployment by age for early school-leavers may point to a general relationship between age and length of unemployment, as it is also found in Swedish data. In five Swedish municipalities constituting a representative cross-section of the population, the probability of becoming unemployed declined with work experience, but reached a minimum at six months experience and increased thereafter. This increase in the length of unemployment after six months accumulated work experiences could be observed for both sexes and for all relevant levels of education (3).

6. The relationship between education, training and level of unemployment of 16-19 year olds :

We have argued above that loss of work experience may have serious

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(1)+(2) Unqualified, Untrained and Unemployed, Department of Employment, 1974.

(3) Intensifierad Arbetsförmedling før Ungdom. Institute for Social Research, Stockholm, April 1977.

effects for unemployed teenagers, and even more so as it is needed to compensate for a lower level of formal education than their working counterparts. Some evidence for this lack of formal education is presented in Table 11 below.

Table 11

UNITED STATES - 1975 -

UNEMPLOYMENT FOR THE 16-19 YEAR AGE-GROUP BY LEVEL OF FORMAL EDUCATION

	Rate of unemployment (%)
Some college attendance	6.5
Completed High school	16.5
Completed 8th grade	36.9

SWEDEN - men 18-24 - 1974 -

UNEMPLOYMENT FOR THE 16-19 YEAR AGE-GROUP BY LEVEL OF FORMAL EDUCATION

	Rate of unemployment (%)
Below secondary education	6.4
Completed secondary education or beyond	5.0

Table 11 cont'd :

GERMANY - 1974 -

UNEMPLOYED AND ACTIVE POPULATION UNDER 20 YEARS OF AGE BY LEVEL OF FORMAL EDUCATION

	Young unemployed %	Young active population %
Not completed compulsory schooling	33.3	13.0
Only compulsory schooling	58.8	54.0
Some secondary schooling	7.9	33.0

UNEMPLOYED WHO WERE IN GAINFUL EMPLOYMENT BEFORE REDUNDANCY, AND ACTIVE POPULATION UNDER 20 YEARS OF AGE BY VOCATIONAL QUALIFICATION LEVEL

	Without vocational training %	Vocational training drop-outs %	With vocational training %
Young unemployed	46.3	24.2	29.5
Young active population	7.0	17.0	76.0

Table 11 cont'd :

NORWAY - 1975 -

PROPORTION OF YOUNG UNEMPLOYED AND TOTAL POPULATION BY LEVEL OF EDUCATION

	Young unemployed %	Total population %
Not completed compulsory schooling	9.4	3.8
Completed compulsory schooling	66.5	-
Vocational education	18.5	-
Secondary general education	5.6	

SOURCES :

. United States : US Department of Labor.

. Sweden : Ungdom och Arbete (youth and Work)Ministry of Labour, 1974.

. Germany : K. SCHOBER-GOTTWALD, "Der Weg in der Arbeitslosigkeit".

· MittAB no. 1, Stuttgart, 1977.

. Norway : The Youth Survey. Directorate for Labour, 1975.

The evidence presented in Table 11 strongly supports the hypothesis of a negative relationship across countries between level of educatior and level of unemployment for the 16-19 year olds.

The German and the Norwegian data show that 16-19 year olds without, or with only, compulsory schooling, are the dominant group among the unemployed in this age-group constituting 92.1 % of all unemployed in Germany and 75.9 % in Norway ; and this is as one would expect.

Even though the table confirms the importance of vocational training in avoiding unemployment, it is at the same time not a guarantee against it. As many as 29.5 % German unemployed who had previously been employed completed vocational training, while 18.5 % of unemployed teenagers in Norway had also had some vocational education.

In Great Britain, the National Youth Employment Council sponsored a sample survey of young unemployed in 1972, the results of which strongly confirm the conclusions drawn above. 90 % of the unemployed had either not succeeded in any public examination at all or had obtained less than two subjects at CSE grade 3 (1).

In the United States a number of methods have been developed and tested, to assess job competencies among young adults. The degree of overall competency has been described in terms of three levels :

(1) adults who function with difficulty ;
(2) functional adults ;
(3) proficient adults.

In the case of the first named, their competence is associated with :

- inadequate income at poverty level or less,
- inadequate education, i.e. eight years of school or fewer,
- unemployment, or occupations of low job status.

The National Assessment of Educational Progress have tested 17 year olds to assess their competence in basic academic skills such as reading, computation and writing. About 20 % of a national sample of this age group failed to demonstrate adequate writing and computational skills, and 10 % the same for reading skills. When this result is compared with the fact that approximately two-thirds of the first jobs obtained by young people who do not go to college, require academic skills of precisely the type tested, one may draw

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(1) Referred to in Vocational Preparation for Young People, Manpower Services Commission, 1975.
CSE : Certificate of Secondary Education.

the conclusion that some 20 % of the 17 year olds will be at a serious disadvantage in obtaining an initial job. An obvious remedy is intensified general education to improve competency in the basic skills of reading, writing and computation. It is also relevant to note that the 17 year olds who lack the skills most necessary for employment are largely from homes at poverty level hence living in inner cities or in rural areas (1).

Since the higher the level of education, the lower the rate of unemployment, it follows that either turnover, or the duration of unemployment, or most probably both will also be lower, where educational level is higher. There is evidence from the United States that the duration of unemployment is, in fact, dependent on the level of education, and that a reduction of unemployment with increasing level of schooling is stronger amongst younger workers than their older counterparts (2). If this is generally valid, it implies that low-skilled young people will experience high rates of unemployment compared with other groups because they have a high rate of turnover and a relatively long duration of unemployment.

This link between frequent job changing and low level of education is in fact confirmed by the British survey referred to above. "Evidence about frequent job changers showed that they lacked academic qualifications at CSE grade 3 or above" (3). And, according to a German survey on vocational training, some drop-outs had had four or more employers before unemployment in September 1974 (4). Thus, as suggested earlier, high turnover can in many cases be described as chronic job change from one "dead end" job to another. And even if the consequent spells of unemployment are of short duration, the accumulated time not working may become quite substantial over a period of, say, three-four years.

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(1) For an extensive discussion of the topics mentioned in this last section, see Ralph Winfred TYLER, "The Competencies of Youth", in From School to Work, National Commission for Manpower Policy, Washington DC, 1976.

(2) A. KATZ, "Schooling, Age and Length of Unemployment". Industrial and Labour Relations Review, 1974.

(3) Unqualified, Untrained and Unemployed, op. cit., page 67.

(4) C. BRINKMANN, K. SCHOBER-GOTTWALD, op. cit.

It is well-known from the experience of many countries that the level of unemployment for a particular group is related to the level of education of that group for all ages. Some examples of this will be taken from the countries under study. In a survey of urban unemployment in England in 1971 (1), the percentage of unskilled workers in the various towns under review was the second most important variable in explaining the variance in the rate of unemployment between them. In Sweden in 1973, the average rate of unemployment for the age-group 25-54 was 2.8 % for those who had not obtained secondary education, while the rate of unemployment in the same age-group for those who had was 2.1 %.

Somewhat older data from Sweden, summarise well the relationship between education, age and level of unemployment.

Table 12

SWEDEN : UNEMPLOYMENT RATES BY AGE AND LEVEL OF EDUCATION. FEBRUARY 1971

Age	Level of education			
	Maximum compulsory school	Secondary school	Post-secondary school	All educational levels
16-24	6.8	3.9	3.3	4.9
25-54	1.8	1.6	0.7	1.6
55-74	3.1	2.3	2.28	2.9
All ages	2.7	2.2	1.2	2.4

SOURCE : Youth and Work, op. cit.

We have described the young low skilled unemployed above as chronic job changers ; and this appears to be true of the least skilled,

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(1) D. METCALF, "Urban Unemployment in England", Economic Journal, Sept. 1975.

regardless of age. The Social Survey of Labour Mobility in Great Britain between 1953 and 1963 showed that 38 % of all men had held one job throughout these ten years, while as many as 15 % of the unskilled had held six or more. Similar results emerge if turnover is considered, 19 % of unskilled men had held jobs for less than three months, while in the case of professional and managerial workers of both sexes, the equivalent proportion was in the range of 3-6 % (1).

There is ample evidence that those who leave school at an early age tend to become concentrated in industries where little training is provided. The situation in the United Kingdom is particularly illustrative in this respect. According to Vocational Preparation of Young People it was found that in 1972 "47 % of those leaving school at what was then the minimum leaving age, and 37 % of the total entrants into employment between ages 15 and 17 went into categories of employment providing less than eight weeks of training". These occupations are largely found in the distributive trades. Other British surveys have found that young people entering unskilled jobs were less likely to receive job instruction and induction training than craft-level entrants. The general impression is that as the skill level falls so does the quality of the training provided. A study undertaken by the Medical Research Council, showed for example that at the lowest unskilled level around 80 % of the boys leaving school early received no training of any sort (2)+(3).

The British results are supported by a United States study, which concludes that "these relationships reflect the disproportionate allocation of young workers to low-earnings positions in the occupational structure, in sectors dominated either by part-time jobs or low-paying full-time jobs" (4). The study also found that young

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(1) Referred to in N. BOSANQUET and P.B. DOERINGER, "Is there a Dual Labour Market in Britain ?", The Economic Journal, June 1973.

(2) Young School-Leavers at Work and College. Medical Research Council, 1971. J. MAIZELS, Transition from School to Work, 1971.

(3) These specialised studies confirm the general impression based on the analysis of age-earning profiles. Formal schooling and on-the-job training are complementary, so that the higher the level of formal schooling the more will be provided of on-the-job training. See J. MINCER, Schooling, Experience and Earnings, NBER, New York, 1974.

(4) M. FRIEDMAN, "The Youth Labor Market", in From School to Work, op. cit.

female or young non-white, or young non-white female were the dominant demographic characteristics in these occupations. In some cases therefore, female labour may be a close substitute for youth labour in production. They share the characteristics of having relatively low work experience and a lower than average level of formal education.

An analysis of the Norwegian Census for 1970 leads to virtually the same conclusions. While 26.8 % of all workers were employed in offices, trade, or services, 40 % of the 16-19 year olds and 56.8 % of women were employed in these occupations.

Thus both American and Norwegian data suggest that women and the young compete for the same jobs. If jobs become comparatively scarce one group may press the other out of the labour market, particularly if its personal characteristics are judged superior to the other group from a production point of view. For example, female labour may have more reliable work habits. Thus the rapid rise in female labour force participation in the last decade may be an important reason why unemployment rates for the young have risen so rapidly during the same period.

Young school-leavers have been shown to be handicapped both in respect of education and the provision of training. This may lead in turn to insufficient knowledge about the world of work and thus to lost opportunities. A United States study (1) utilizing the same data as Griliches, found that young men with a high level of formal education knew more about the world of work than those with less. Not only was there a close correlation between the general level of education and knowledge of the working world, but the latter had also an independent influence on level of earnings in addition to other variables such as formal schooling, level of intelligence, family background, etc. An unexpected result of the

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(1) H.S. PARNES, A.I. KOHEN, "Occupational Information and Labour Market Status : The case of Young Men", Journal of Human Resources, Winter 1975.

study was that no detectable relationship was found between education on the labour market provided within schools, and factual knowledge of the world of work.

Independent assessment of labour market knowledge in the United States supports this conclusion. Based on tests undertaken by National Assessment for Educational Progress, an observer concludes that : "The competencies required for locating and securing employment are not well understood by most youth. The reports of 17 year olds and their performance on test exercises both indicate that this process is confusing and often frustrating to those seeking work" (1).

The German study referred to above, shows the same pattern (2). 93 % of vocational training drop-outs abstained from consulting vocational counselling services. And related to these results are the findings of independent studies in both Norway and Sweden, that there is some tendency for better educated workers to make more use of labour exchange offices than the lowest skill categories.

7. Social background of the young unemployed :

It was argued above that a number of characteristics of young unemployed are found among the low-skilled irrespective of age. We should therefore expect that early school-leavers who are unemployed are more likely to continue a life-history which was equally true for their parents. There is little direct evidence on the social background of the young unemployed, but that which does exist all points in the same direction. A distinct characteristic of this group is that they are early school-leavers, and the social background

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(1) R. W. TYLER, "The competencies of Youth", in From School to Work, op.cit.

(2) K. SCHOBER-GOTTWALD, op. cit.

of early school-leavers can easily be documented from a wealth of material. Few social relationships are so well documented as the close, positive relationship between the social class of parents and the level of education of their off-spring (1). The study by R. BOUDON attempts to provide a synthesis of contemporary knowledge on the functioning of the social selection mechanism in schools. At each stage in the educational process where a decision has to be made whether to continue schooling or to leave the educational system altogether, the probability whether a pupil will continue or drop-out is determined to a large extent by his social class background and level of intelligence. The level of measured intelligence is higher among pupils from the upper social classes than from the lower. As pupils progress through school, the least intelligent will drop out first, so that after a certain level of education has been reached, transition probabilities will mainly be determined by differences in social class background. The dispersion of transition probabilities between social classes will diminish as the level of obtained education increases, and the effect of intelligence on the decision to continue or leave is gradually reduced. Thus when pupils have reached the age of 18 and the decision has to be made whether to continue to a university type education, the difference between social classes in transition probabilities will be much lower than when the decision had to be made whether to continue in secondary schools (2). Thus the selection mechanism is stronger, the lower the level of education, because social background interacts with level of intelligence to exert a particularly strong pressure towards drop-out for the group under study.

We shall complete this rather general picture by presenting evidence on the social class background of unemployed young people in a number

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(1) See in particular : Group disparities in Educational Participation and Achievement, OECD, Paris, 1971. Social Background and Educational Career, OECD, Paris, 1972. C. JENKS et al., "Inequality", Cambridge, Mass. 1974 and R. BOUDON, Inégalité des Chances, Paris, 1974.

(2) A very recent confirmation of this is found in a survey of fifth-formers and secondary school students undertaken by Lancaster University for the Department of Education and Science in the United Kingdom. Referred to in The Times Educational Supplement, March 12, 1976.

of countries.

According to the German study quoted earlier, 65 % of unemployed youths come from a "blue collar" background, compared with 44 % of all young employees and trainees, and 35 % have unskilled or semi-skilled fathers compared with 12 % (1). Other German sources mention that the influence of broken up homes can easily be shown (2)+(3). A Norwegian survey of young unemployed in 1975 showed that the probability of having an unemployed off-spring was ten times greater in families where the head of family had only compulsory education than in those where he had university education. Thus it can be concluded that for the group under consideration, inequality is likely to be transferred from generation to generation.

8. Unemployment among 16-19 year olds from minority groups :

A general observation on employment problems of young people from minority groups is that they are magnified relative to the average over all groups. The evidence on this is especially well documented in the case of black youth in the United States where the teenage unemployment rate was 20.5 % in the second quarter of 1975, but the equivalent rate for black youth 37.8 %, and for black teenagers in the so called poverty areas even higher, at 42.7 % (4). Similarly the rate of turnover, which for all teenagers in the United States was estimated at 49.7 % in 1972, reached 84 % for black teenagers (5).

The difference in educational achievement between whites and non-whites in this age-group is shown in Table 13.

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(1) K. SCHOBER-GOTTWALD, op. cit.

(2) K.L. HINDENBURG, L. SCHULZ, Berufliche Starthilfen für Schulabbrecher und Ungelernte. Institut der Deutschen Wirtschaft, 1976.

(3) A Swedish study confirms this. In one municipality 33 % of the drop-outs from compulsory schooling came from families broken up by divorce, while only 9 % of the age-group overall had such a background. Youth and Work, 1974.

(4) US Department of Labor.

(5) Same source as Table 6.

Table 13

PERCENTAGES OF TOTAL OUT OF SCHOOL FOR THE AGE-GROUP 16-21, 1970

White men	38.0
Non-white men	44.1
White women	45.3
Non-white women	49.7

SOURCE : US Census, 1970. Bureau of the Census.

Thus young people from minority groups have lower levels of education, experience higher rates of unemployment, and are to a greater extent more frequent job changers than the average teenager. The evidence from countries in Europe is obviously less comprehensive. In the case of the United Kingdom there is some data pointing in the same direction as that from the United States. While 8.1 % of all young men (16-20 years of age) were unemployed in the United Kingdom according to the 1971 census, 16.2 % of those of West Indian origin were unemployed.

Birmingham is a city with a relatively large number of immigrants. In November 1975, 31 % of registered unemployed boys and 24 % of all unemployed girls were of immigrant parentage (1). We can safely conclude therefore that policies to cope with youth unemployment face a particularly hard task in respect of the problems of minority groups.

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(1) Youth Unemployment in Birmingham. Young Volunteer Force Foundation, 1976.

9. Some attitudinal factors :

For some of the countries under discussion, for example the United Kingdom, Germany, Sweden and Norway, we have been able to collect information on early school-leavers' attitudes to schooling and work.

a) Attitudes to schooling

A survey undertaken among pupils in the last year of nine-year compulsory schooling in Norway in 1970, showed that 17 % wanted to leave school at once. Tiredness of school, and the desire to work were the two main reasons. This proportion of "school rejecters" had increased from 13 % in 1966 when a similar survey was undertaken using the same methods (1). The Lancaster survey of 1,000 fifth-formers in 1975 referred to above (2), showed that there was a hard core of leavers amongst fifth-formers - a third, boys and nearly one quarter, girls, - who claimed that they had never considered staying on beyond the minimum school leaving age.

According to a cohort analysis undertaken by the Swedish Central Bureau of Statistics in April 1973, 50 % of school leavers who did not apply for further education, explained that they were simply tired of going to school. 25 % had been offered work, which was their reason for leaving school. Some compulsory school--leavers who enter secondary education later dropped out of school without having obtained a completed education at that level. A recently published 4 year follow-up study of the drop-out problem in Swedish secondary schools, showed that the most common reason for doing so was tiredness of school and the desire to work - 67 % mentioned these two factors (3).

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(1) Johs. SANDVEN, "Sense of well-being in school as perceived by students and teachers". Scandinavian Journal of Educational Research, no. 4, 1972.

(2) See footnote (1) page 45.

(3) The Times Educational Supplement, May 14, 1976.

This general picture is confirmed by German studies (1) where tiredness of school is mentioned as a very important factor in explaining lack of education, and lack of interest in further education. Only 27 % of young workers with compulsory education or less had participated in any type of educational activity after they left school. The main reason given for not taking up vocational training was the need to earn money ; 33 % mentioned this. It was also the main reason for dropping out of vocational training schemes, 38 % of those who had done so, mentioned money as the primary factor. The importance of earning money as soon as possible is also mentioned on a number of occasions in both the Lancaster survey and similar Swedish reports.

b) Attitudes towards work

We have found no evidence of any particular attitude towards work on the part of the young unemployed in the material on which this study is based. Early school-leavers do not appear to be more selective in their preferences for work than other groups in the labour market. The British report Unqualified, Untrained and Unemployed (2) mentions that some suitable vacancies were difficult to fill in 1972, but this observation was made at the end of the 1971-1972 recession, which meant that jobs were becoming more plentiful and people could afford to be more selective. 22 % of unemployed Norwegian teenagers turn down job offers, but this proportion does not appear to be abnormally large, with an unemployment rate for this group, of 3 %. In Sweden a close analysis of registered unemployed showed that 11 % of men and 6 % of women below the age of eighteen in 1973, had not wanted the type of work

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(1) See Berufliche Starthilfen für Schulabbrecher und Ungelernte, op. cit.

(2) See footnote (1) page 35.

offered them by their labour exchange. Compared therefore with other important reasons for being unemployed, put forward by labour exchange officials, such as lack of education and work experience, social or intellectual handicap, accounting for 59 % of the cases, active rejection of work seems to be of minor importance (1).

10. Wages and unemployment of the 16-19 year olds :

Wages in different countries may not be "flexible downwards" on account of trade union policies or minimum wage laws, which determine a level beyond which they cannot drop. If labour productivity is lower for early school-leavers than the minimum wage, they will not be offered work and unemployment will develop. In the United States there have been a number of studies on the relationship between teenage employment and the level of state and federal minimum wage laws. The results of these are inconclusive, and when minimum wages were found to have an adverse effect on teenage employment, the effect was not considerable (2). We have not come across similar studies for European countries, but German sources mention the cost of training apprentices as a factor in explaining the decline in available apprenticeship places in Germany (3). And in the United Kingdom the average earnings for young people have increased faster than the average since 1970, and this is mentioned as a possible reason for the rapid growth in teenage unemployment (4).

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(1) Youth and Work, Ministry of Labour, Stockholm, 1974.

(2) A. KATZ, "Employment Effects of State Minimum Wages". Journal of Human Resources, Spring 1973.
F. WELCH, "Minimum Wage Legislation in the United States", Economic Inquiry, Sept. 1974.
R.S. GOLDFARB, "The Policy Content of Quantitative Minimum Wage Research", Industrial Relations Research Institute, San Francisco, 1974.

(3) Berufliche Starthilfen für Schulabbrecher und Ungelernte, op. cit.

(4) Youth Unemployment : Causes and Cures, British Youth Council, March 1977.

CHAPTER III - THEORIES AND EVIDENCE ON YOUTH UNEMPLOYMENT : AN EVALUATION

It is not intended to go into detail in this chapter ; the reader will be able to judge for himself the value of the various theories discussed, in the light of the evidence assembled. But a short evaluation of the main points is necessary in order to present some of the implications for policy makers.

If we contrast the evidence presented in Chapter II, with the theories and assumptions outlined in Chapter I, it is fair to say that none of the main hypotheses in the latter, can be rejected on the basis of the data. Elements of all are possible explanations of the facts. This is also true if we limit ourselves to the various economic theories presented : they cannot be sharply distinguished on the basis of the data. But each of the main hypotheses can only explain parts of the reality, and they are as a rule complementary rather than competitive. We have shown that the young unemployed are likely to fall into most of the following categories :

1) a low level of formal education,
2) little on-the-job training, including participation in apprenticeship--schemes
3) low scores on intelligence tests,
4) family background in lower social strata,
5) left school because tired of schooling, and needed to earn money,
6) little motivation for further education,
7) high rate of unemployment,
8) unstable employment, i.e. high rate of turn-over and significant fluctuations in the rate of unemployment.

The institutional hypothesis, i.e. that the young become unemployed because schools equip them with few useful skills, is compatible with a high rate of unemployment, unstable employment and little on-the-job training, provided that it is combined with an economic hypothesis which explains why people with few useful skills are not in demand on the labour market.

But the institutional hypothesis also suggests that present compulsory schooling is excessively oriented towards cognitive understanding, and is therefore also compatible with the fact that unemployed youngsters leave school because they are tired of schooling, and have little motivation for further training. This is strengthened, when combined with the fact that cognitive abilities are not equally distributed in the population, as argued by the literature on intelligence testing. Thus a combination of the institutional hypothesis and economic theories is able to account for most of the facts presented above. But not for all. The literature on social selection in schools shows very consistently that social background has an influence on the level of education obtained over and above the influence of one's own level of intelligence and level of family income (not discussed in this context). Thus it is clear that the institutional model is not sufficient to explain the social process that creates drop-outs and early school-leavers. All of our main hypotheses must therefore be employed to explain the available data.

In evaluating the sociological hypothesis, we have been concerned only with the social selection aspects of this theory. We introduced in Chapter I two other arguments classified as belonging to the sociological hypothesis. The first aspect contends that early school-leavers have different preferences with respect to income-distribution over life from groups with higher levels of education, in the sense that they prefer a lower immediate income as unskilled workers to the higher income of a skilled worker, obtained only after a period as a low-paid apprentice.

The second argument alleges that youth unemployment is to a large extent due to a change in preference towards work on the part of the present generation of teenagers, compared with earlier generations or older groups of workers. There are enough suitable vacancies for young people willing to work, but they prefer to stay at home and look for something which is more in accordance with their increased aspirations.

There are serious problems of interpretation connected with theories based on the assumption of different preferences between social groups. In many ways, such theories are too general ; they can explain almost any difference in characteristic between social groups. Thus they are very difficult to reject even if wrong, and almost anything can be argued in their support (1). We prefer to consider theories of this sort therefore only when all other possible explanations have been exhausted. On the other hand, we have little direct evidence on the attitude towards work of this group, so that we cannot reject out of hand the assumption that they are more selective than adults in the kind of work they prefer. Nonetheless, the evidence we have points to this factor only as a very minor one in explaining total unemployment among teenagers. On the other hand there exists also information on attitudes to school and work which might support the contention that early school-leavers opt for immediate gain and as a consequence, reject further schooling. But there may be other, more reasonable, explanations of this attitude. Early school-leavers have a history of being "failures" at school, which may lead them to the conclusion that their chances of obtaining a skilled workers' certificate are not good. In such a situation therefore they might well lose more if they attempted to become skilled workers and failed, than they would by leaving school at the earliest possible opportunity and taking a job as an unskilled worker. There is also another, probably more important, reason. Early school-leavers come from families in the lower social strata where family income is much

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(1) "We also claim, however, that no significant behaviour has been illuminated by assumptions of differences in tastes. Instead they, along with assumptions of unstable tastes, have been a convenient crutch to lean on when the analysis has bogged down. They give the appearance of considered judgement, yet really have only been ad hoc arguments that disguise analytical failures". George STIGLER and Gary BECKER, "De Gustibus Non Est Disputandum", American Economic Review, March 1977.

below the average. The reason for leaving school may be the simple economic one that the family needs to increase its income and cannot therefore keep its children another year in school.

In a study of the economic needs of enrollees in the Neighbourhood Youth Corps in the United States (1) it was found that a major reason for dropping out of high school was inability to meet the costs of schooling. Over a third of out-of-school enrollees (teenagers participating in training programme) said they had left school for economic reasons, either to work or because they could not afford to pay for school expenses and school-clothes.

A summing up of available evidence and theory is presented in Figure I, where the direction of the arrows indicates causal relationships. A combination of low social status, low scores on intelligence tests and compulsory schooling which stresses cognitive abilities, leads to dropping-out and early school-leaving for a sizeable group of pupils equipped with relatively little useful knowledge. This, in its turn, leads to low-skilled jobs, frequent job changes, high unemployment and little on-the-job training due to insufficient education. Unemployment among young people may further lead to drug-taking and delinquency or at least be associated with it (1). The consequences for the remainder of working-life are frequent job changes, chronically high unemployment and low and stagnating income with age (2).

This analysis has significant implications for policy-making. It is our contention that policies to cope with youth unemployment must be comprehensive, and encompass a number of measures, as well as being related to the three main hypotheses we have described, and which we have shown to be supported by data. They must therefore : incorporate the content of the educational process, social selection mechanisms and economic considerations.

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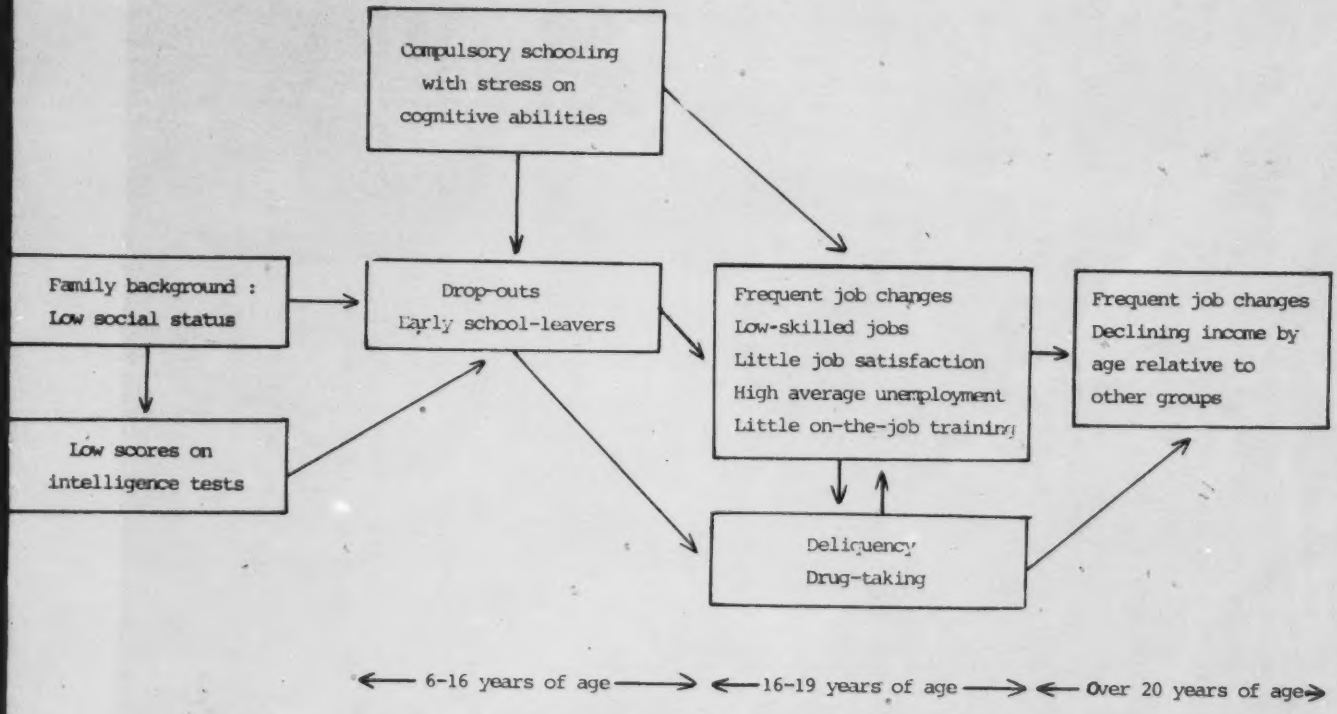
(1) The Neighbourhood Youth Corps : A Review of Research ; Manpower Research Monograph no. 13. US Department of Labor, 1970.

(2) These are some of the characteristics of so-called secondary labour-markets, while the primary labour market is the domain of adults with stable jobs, high earnings and low unemployment.

Figure 1

MODEL OF THE SCHOOL AND WORK ACTIVITY OF EARLY SCHOOL-LEAVERS OVER THE LIFE-CYCLE


Compulsory schooling with stress on cognitive abilities
Family background : Low social status
Drop-outs Early school-leavers
Frequent job changes Low-skilled jobs Little job satisfaction High average unemployment Little on-the-job training
Frequent job changes Declining income by age relative to other groups
Low scores on intelligence tests
Delinquency Drug-taking
6-16 years of age
16-19 years of age
Over 20 years of age

We start with the content of the educational process, and consider policies intended to change it, i.e. those to be used in the school context. Similarly, the effect of educational content on the employment situation for young people who have already left school, must also be borne in mind.

It is likely that to change the content of the educational process within the confines of schooling only, particularly within compulsory schooling, will be unrealistic. This is exactly the kind of task that a school cannot be expected to do well. Occupational learning is most efficiently carried out where work is actually done, i.e., in public and private enterprises. Thus, we foresee arrangements where school and work are combined, even within compulsory schooling. Not only would such a change be of value for early school-leavers, which will need this sort of experience to be able to perform in an actual working situation later, but it should also be seen as a necessary corrective to the purely educational experience of those who plan to continue their formal schooling. And, as already pointed out, in combination with such a policy, or as an alternative to it, there will also need to be programmes undertaken after schooling to initiate early school-leavers into the world of work. Such a scheme would have some or all of the following characteristics :

1) an induction period, to introduce school-leavers to general aspects of the working situation ;
2) work combined with training, which might be organised in public training centres, or in private or public firms and institutions ;
3) a "fair wage" for participants, likely to be essential for motivation. This will probably involve the payment of subsidies to those private firms participating in the scheme.

In addition, to ensure access policies along these lines will need the involvement of many institutions, such as labour exchange offices, schools, social workers, the trades unions and business associations.

The policy programme described above would be particularly geared to the needs of school-leavers or unemployed young people. But there is also a need for training programme for young people who are already employed, but whose job does not provide training.

Another policy area related both to the content of the educational process and to the effect of social selection, would be that incorporating all measures coming under the heading of occupational information in schools. This would involve not only "passive" information about occupations, wages, working conditions, educational requirements, etc., but also "active" guidance, with potential school-leavers being identified, and relevant institutions outside schools notified, a considerable time before leaving school.

A sizeable proportion of pupils about to finish compulsory schooling are undecided whether to leave completely or continue their education. Sometimes the reason for this is an economic one, and it may be necessary therefore to extend the possibility of obtaining scholarships to all levels of secondary education perhaps in combination with loans. Reform of the content of education in secondary schools is also needed, to avoid large numbers of drop-outs early in secondary schooling. Similarly extensive availability of part-time work combined with education on the secondary level should be considered.

Some additional comments on economic measures are necessary. The most essential action in this field is to promote full employment, without which it will be nearly impossible to implement successfully the policy measures described above. Economic measures to cope with youth unemployment would consist essentially of the following three components :

1) special job-creation programmes ;
2) various incentive schemes to finance occupational training ;
3) sheltered work-places.

A comment is needed on the last of these. It is likely that there are some amongst early school-leavers who are unable, for social, mental or physical reasons to function in an ordinary work place, but for whom gainful work combined with training would be beneficial. In these circumstances special work-places, sheltered from ordinary economic and social requirements, should be available.

CHAPTER IV - POLICY MEASURES TO COPE WITH YOUTH UNEMPLOYMENT. SOME GENERAL CONSIDERATIONS

Before we describe and attempt an evaluation of policies currently being undertaken in the countries under discussion, we shall consider some general issues which are often at the centre of the debate, when measures to cope with youth unemployment are being analysed.

1. Vocational education versus general education :

In the first chapter of this study we introduced the institutional hypothesis, which postulated that the explanation of youth unemployment was basically the inability of the educational system, in particular the compulsory school, to provide early school-leavers with a relevant education, immediately applicable in the labour market. Very often this debate turns around the value given to a "general" or more academically oriented form of education compared with vocational education. Those who support the institutional hypothesis argue that the balance between vocational and general subjects in compulsory school is tilted towards the latter. Too little vocational knowledge is provided in compulsory schools, and this is then the explanation for how badly education adapts to the world of work. A proper school reform to alleviate youth unemployment would be one which stressed the importance of vocational subjects during compulsory

schooling. We agree that this would be helpful, but doubt if, as a general remedy for curing youth unemployment, such a reform would be of significant value.

This is for the following reasons : first, the distinction between vocational and general education in a labour market context is misleading. It is an undeniable fact that both, as taught within school, provide the pupil with a set of general skills. Superficially, vocational education may be related to certain occupations, but this cannot hide the fact that it is in reality general education. Thus there is no a priori reason why vocational education should be better related to the world of work than those subjects which are commonly called general education. Both provide a general basis for the specific skills which are learnt on-the-job in all kinds of occupation. For our purpose, therefore the distinction is not a helpful one, and may also be misleading.

Similarly, if the suggestion is that the problem with compulsory schooling is the provision of too few specific skills, or too little vocational training, the argument is still not one of importance. It cannot be imagined that the myriad of specific skills which are learnt in the firms and institutions of a modern economy, can to any substantial extent be provided efficiently within the formal educational system. Even if this could be overcome, it would be necessary to have detailed forecasts of the specific skills needed in the future, and thus, a comprehensive system of manpower forecasting would have to be constructed. There is by now considerable evidence on the value of manpower forecasting, which is almost without exception, negative (1). Such planning refers to a range of broad categories such as the probable need for people with various types of higher education a few years hence, and not to the thousands of constantly changing specific skills required in all sectors of

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(1) See R. HOLLISTER, A technical evaluation of the first stage of the Mediterranean Regional Project, OECD, Paris, 1967 and Bashir AHAMAD and Mark BLAUG (eds.) : The Practice of Manpower Forecasting : A Collection of Case Studies, Elsevier, Amsterdam, 1973.

a modern economy. The data presented in Chapter II, does not support the contention, in the few cases where it was possible to distinguish between general and vocational education, that more of the latter is the solution to unemployment problems among the young, indeed, both Norwegian and German data indicated a surprisingly large rate of unemployment among young people with some vocational education. Rather it is the case that the general thrust of the available evidence points to the level of obtained education, regardless of formal content, as a highly significant factor in explaining youth unemployment.

Attempts have been made in the United States to assess the impact of various educational programmes on such criteria of success in the labour market, as average hourly earnings, unemployment and occupational status. Some studies show slightly higher initial earnings and somewhat lower unemployment rates for students who have had some vocational preparation than for those who have not (1). However, two longitudinal studies of the labour market careers of young men have shown no significant relationship between the type of curriculum and labour market success criteria (2). Recently, there have been some attempts in certain developing countries to assess the economic value of general education compared with technical education at the secondary level (3). In only one of the four cases available, Colombia, was technical education more profitable than general education.

To conclude, there is a prima facie case for strengthening the links between schooling and the world of work, but no conclusive evidence that this can be done by introducing additional vocational subjects into compulsory schooling.

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(1) Policy Options for the teenage Unemployment Problem. Background paper n° 13.1976. Congressional Budget Office, Washington DC.

(2) H.S. PARNES, Andrew I. KOHEN, "Labor Market Experience of Non-College Youth : A Longitudinal Analysis". In From School To Work. National Commission for Manpower Policy. Washington DC, 1976.

J. GRASSO, The Contribution of Vocational Education, Training and Work Experience to the Early Career Achievements of Young Men. The Ohio State University Center for Human Resource Research, 1975.

(3) See George PSACHARAPOULOS, Rates of Return to Education. Elsevier, Amsterdam, 1974. The method of assessment used is rate-of-return-analysis.

2. Vocational training and apprenticeship arrangements

In most countries the provision of places for apprentices has declined in recent years. This is seen by many as a reason for the general rise in youth unemployment. Most apprenticeship arrangements accept entrants on the basis of compulsory schooling only, and, where successfully organised, constitute a close link between school and work. Thus, since it is argued by many commentators that a basic reason for youth unemployment is the alienation of schooling from the world of work, the provision of apprenticeship places is seen as a panacea for curing the problem. But simple solutions are rarely the answer, and it is necessary therefore to analyse more closely the reasons for the decline in the availability of apprenticeship places.

These would appear to include the following :

a) The persistent and powerful increase in the demand for further education. The huge increase since the war in the number of pupils entering all types of secondary and higher education has without doubt fundamentally changed the recruitment basis for apprentices. Few applicants are available with, on average, less ability than before, and thus the costs of training for firms are increased. This substantial increase in the number of people with all kinds of further education, and therefore fairly low training costs, has led to their replacing more costly apprenticeship arrangements, where firms, and not society, bear most of the training costs.

b) Young people are more mobile than before. They have less attachment to the workplace than their fathers, and are more

likely to change job after their apprenticeship is over, particularly as apprenticeship training is general training, i.e. useful to other firms as well as that in which the training has been provided. Increased mobility therefore leads to a lesser provision of general training, since it increases the probability that the skilled worker will leave the firm where he was trained thus incurring a capital loss for the firm. This would be less of a problem if wages for trainees were sufficiently depressed to compensate the firm for the likelihood of losing the resources invested in the trainee, but in fact minimum wage laws and wage agreements with trades unions have prevented this. The result has been a reduction in the number of apprenticeship places available.

c) Wages of low-skilled workers may have risen compared with those of skilled workers, which may have reduced the number of applicants for traineeships.

d) Doubt has been cast on the effectiveness of apprenticeships in providing the necessary training, and in increasing the productivity of trainees. Empirical analyses have shown that work often takes priority over training, and that the latter is often very unsystematic and undertaken only when production allows. Even when training and work is combined with part-time schooling, the educational result may be less than satisfactory on account of inadequate coordination (1).

e) Small firms have traditionally dominated the training of apprentices. In such firms a skilled worker is often needed for a variety of tasks, and the tendency towards concentration of production and trade in larger units, has made general training of this sort less efficient. The scale of production has

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(1) See La préparation des jeunes à la vie active et au passage de la scolarité à la vie professionnelle. Analyse générale, Communautés Européennes, Bruxelles, le 19 octobre 1976.

become sufficiently large to allow the use of people especially trained for each function to be carried out and this has been accelerated by the ample supply of people entering the labour market with more general skills than before. It may be that to learn specific skills, they are more flexible than those who have obtained their skills as apprentices.

f) It is often alleged that the economic life of capital equipment is decreasing as a result of an accelerating pace of industrial innovation. In so far as physical capital and training are complementary inputs, it will therefore be inefficient to train people on the assumption that their skills will have a long economic life.

g) Costs of labour have risen enormously since 1945, and this has tended to eliminate labour intensive processes wherever possible, including the training of apprentices.

Thus, many of the important factors which over the years have tended to reduce the supply of apprenticeships as well as slowing down demand, are such that they cannot be changed quickly, if at all, by policy intervention. But it is probably possible to influence development through financing of both apprenticeship training and all forms of general vocational training, thereby increasing the amount of general and specific training in the economy and leading to the employment of a greater number of early school-leavers.

3. Financing vocational training

We have already touched upon the problem of financing industrial

training in Chapter II and below, in Chapter V we shall consider in detail some proposals for reform. At this point it will suffice to describe some general features only.

A large, probably a major, part of vocational training undertaken within economic institutions involves the creation of transferable skills. By training a person who may want to leave for another enterprise, one firm creates a potential benefit for another, for which the latter does not pay. The fact that on the one hand trained people are mobile, and on the other that firms can obtain skilled workers by hiring them in the labour market, thereby avoiding training expenses, brings about a situation where firms are reluctant to produce the amount of training, which, if they acted as a joint body, they would consider optimal. Thus we are confronted with the classic case of production of positive externalities, where it can be shown that an optimal provision of the good or service in question would be forthcoming, were production to be subsidised. In these circumstances therefore there is an argument for collective financing of at least some of the training undertaken in the private sector of the economy.

Collective financing through subsidies to private industry which increase the supply of vocational training is probably the least expensive of all administrative measures. It allows the individual firm to decide the type and scale of training to be undertaken, and consequently one would expect that the end result would be that most useful to the firm. But there are however serious drawbacks. Subsidies must be given indiscriminately, otherwise their cost--effectiveness is eroded. This may have the result that firms who would be likely to undertake the optimal scale of training in any case without subsidies, will receive financial support and reap a windfall profit.

But a more important drawback concerns the training of teenagers. Young people generally are overrepresented in the distributive trades where the process of production requires very little on-the--job training. Thus a general subsidy to stimulate vocational training would bring only a slight response from these industries, and consequently have a limited effect on the provision of training for early school-leavers. It would probably be necessary to change the distribution of job opportunities in combination with the provision of subsidies so that more jobs become available in areas where training is provided, or that teenagers employed in the distribution trades are given the opportunity and incentives to undertake training and education outside their places of work.

4. Social justice and equality of educational opportunity

The concepts of social justice and equality of opportunity have traditionally played an important role in education and social policy, and in policies to cope with youth unemployment. Concern for the problems confronting the young unemployed undoubtedly springs from a wider support for a more egalitarian society and a greater awareness of the implications of a commitment to social justice. Not only is high unemployment, even if limited to specific groups, regarded as intolerable in itself, but the reduction in the variation of unemployment between social groups may have important repercussions on the distribution of personal earnings. According to an American study, much of the egalitarian trend in earnings between 1939 and 1965 can be explained by diminished unemployment rates (1). There are however, some consequences of policies to

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(1) Barry CHISWICK and Jacob MINCER, "Time Series Changes in Personal income Inequality in the United States from 1939, with Projections to 1985". Journal of Political Economy, Vol. 80, Part II, May/June 1972.

reduce youth unemployment which may work against traditional egalitarian action, at least in so far as the formal educational system is concerned. The combination of intellectualism, stress on cognitive abilities and social selection tends to produce a significant minority of early school-leavers mainly from the lower social strata. For a long time it has been an objective of educational policy to reduce this group, and to further a more egalitarian distribution of education generally. At the same time, also in the name of equality, most school systems incorporated new subjects and different organisational modes to meet the need for diversity as their social recruitment basis has widened. But as R. BOUDON (1) points out, this process of diversification has also tended to slow down the process of educational equalisation among social groups, the reason being its' creation of additional points in the educational structure at which a decision has to be made to proceed with schooling or to drop-out. It might happen therefore, that if a system of work combined with schooling were organized at the compulsory level or as the next step in the educational pyramid, and were subject to free choice, one would only strengthen the social selection mechanism vis-à-vis the formal school system. A new division along social lines would be created within the educational system, and the result would be a weakening of the idea of equality of educational opportunity. This however would only be with reference to the formal school system, for it seems clear that, if the revised arrangements were a success, then the total amount of training and education received by early school-leavers would be increased and, in that sense, equality of educational opportunity enhanced. The fact that the increased training takes place outside the formal school system is of less importance, unless one contends this kind of education has a superior value to the more informal training that a combined work/schooling arrangement provides. The possibility that they would mostly recruit pupils from the lower social strata has led critics

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(1) R. BOUDON, Inégalité des Chances, op. cit.

to suggest that such schemes be made compulsory, or at least a part of all young peoples' educational experience. In our view however a solution of this kind only replaces one injustice by another, for if a work/schooling combination were made compulsory, pupils with special abilities for cognitive learning would be worse off.

Most educators probably accept the view that a completely egalitarian formal school system is utopic. We shall therefore always have early school-leavers, but they will diminish in relative number over time in the long term falling perhaps to 5-10 % of the age-group. They will leave a school system which is most likely, if history is any guide, to become even more intellectualised and general in its approach then at present. This tendency will be an almost necessary consequence of an increasingly complex society and the educational needs of the rising proportion of young people who will continue in further education. The whole question of educational opportunity must be considered therefore not only with reference to formal education and organised adult education, but also in connection with all types of education, formal and informal, regardless of where it takes place. One could wish to go even further and apply the concept of equalisation not only to levels and years of education, but also to the total amount of resources spent by society on children and young people. The gap between early school-leavers and other young people is in that respect probably more significant than differences in years of education. A gap of this kind can be defended on efficiency grounds, and there must clearly be some "trade-off" between efficiency and equity when evaluating the economic benefits of different types of educational investment. But there seems nonetheless still to be a case for some redistribution of resources towards early school-leavers in many countries, even if such a policy were to reduce the total economic benefits of educational investment.

However, even if it is agreed that some redistribution of education and training resources towards early school-leavers should occur, we shall still be confronted with the problem of how to distribute these resources within that group. Its' more distinct features are the great diversity of personal characteristics of early school-leavers, and the fact that many of them have only minor problems to overcome in transferring from school to work. There would appear to be a consensus among American students of the transition problem that policy-measures directed towards 16-17 year olds will have only a limited effect. "The universal experience of youth unemployment and training programs has been that 16 and 17 year olds (again on the average) are most likely to drop out, to return to school, to change career goals, to be arrested, or to become pregnant... as a rule of the thumb, efforts to alter future success would give priority to 18-19, or 20 year olds who had finished their academic careers, who had families, or who had demonstrated a desire to settle down" (1).

On the other hand, almost all programmes to alleviate youth unemployment spend resources indiscriminately. The reasons for this are probably the egalitarian concept that all should share equally, and the political necessity of appearing democratic in the spending of "tax-payers' money". This effort to develop human resources generally, seriously impedes the effectiveness of employment and training programmes. "The thrust of the redesigned NYC program is in accord with the research findings that the great diversity of abilities, skills, interests and ambitions among enrollees greatly lessens the effectiveness of a program that does not take such differences into account" (2). Indiscriminate spending does not therefore reduce structural social inequality and only appears egalitarian by not discriminating among those already discriminated against. Its main effect is to reduce unemployment by taking teenagers off the streets.

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(1) Robert TAGGART, "Employment and Training Programs For Youth", in From School to Work, op. cit.

(2) Manpower Research Monograph, no. 13, 1970, op. cit.

One major reason for being concerned with the distribution of resources for education and training is the extent to which education and training determine degree of success on the labour market. Some 200 years ago, Adam SMITH envisaged a labour market with only apparent, but not real, differences in wages and earnings, these being compensations for hardship, unemployment risks, training, etc. Casual observance of the real situation may often lead to the conclusion that the differences between Smith's view and reality are considerably greater than the similarities.

Yet to strive for the establishment of a competitive labour market may be necessary in order to erase some of the basis of inequality in the distribution of educational resources. For if a large part of earnings differentials among people, were only compensations for different attitudes towards risky employment, hardships and different preferences for training, much of the basis for occupational status hierarchies would be removed. One important policy measure which might lead in that direction would be the creation of a credit market for educational investment. Such a market might lead to earnings differentials which would be mainly generated by different preferences for education, and differences in genetic ability, but the earnings effect of the latter could be reduced through income taxation. In a labour market of this kind we would be much less concerned than at present with the fact that the unskilled worker earns less than a surgeon, because by this method net incomes after taxes would only reflect the long training period of the surgeon ; at the current rate of interest, their life-time incomes after taxes would be equal.

5. Economic benefits of training young school-leavers

It is however far form certain that increased investments in the

training of early school-leavers will reduce the overall economic benefits of investment in education and training. This is because early school-leavers are more likely to be unemployed than other groups. The social costs of their training, i.e. direct training expenses plus the value of lost production while being trained, may for this reason be considerably lower than for other groups. On the benefit side, increased training will raise productivity as well as the likelihood of being employed. Thus, a cost-benefit analysis of early school-leaver training may well show that the social rate-of--return is comparable to those for other types of educational investment, even though the financial costs incurred to reach a given level of work performance are likely to be higher than for other groups, on account of lower motivation, less general education and the like. Some evidence on the economic efficiency of vocational training for early school-leavers in the United States, to be described below, shows mixed results. A major reason for the low economic efficiency of some programmes appears to be very high drop-out rates amongst their participants.

At present, the economic benefits of training are likely to be larger than usual, due to a higher than normal unemployment rate among school--leavers, which considerably reduces the social costs of training compared with a more normal situation. But apart from these considerations, the economic benefits of secondary and higher education have probably fallen significantly over the last five years on account of a combination of the slower rate of economic growth and a continually rising output of graduates from secondary schools and institutions of higher education (1). For this reason, the economic benefits of investment in training for groups with lower levels of education may have risen, compared to those with secondary and higher education. These were not very high, at least in Western Europe, even before the most rapid expansion in secondary and higher

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(1) For evidence on this for the United States and Sweden, see :

. R. FREEMAN, "The declining benefits of college education", The Review of Economics and Statistics, March 1977 ;

. Siv GUSTAFFSON, Determination and Structure of Salaries in the Government Sector of Sweden, Industriens Untredningsinstitut, Almquist and Wicksell, Uppsala, 1976.

education took place (1). Thus the economic case for a redistribution of educational resources towards lower skill-levels is at present particularly strong.

6. Early retirement of older workers as a policy measure to alleviate youth unemployment

Early retirement of older workers to give room for teenagers in the labour market has been proposed many times in the recent past, most recently by the British Youth Council (2). We believe however that policies to encourage this will be ineffective in reducing teenage--unemployment for two major reasons :

a) Older workers and teenagers appear not to be competing groups in the labour market. While the former are concentrated in stagnating manufacturing industries, the latter are mostly employed in the service sector. And in any case pre-retirement is unlikely to assist the employment of unskilled youngsters in manufacturing, as reduced employment in these industries would in fact improve their economic condition.

b) As well as different categories of workers, capital is also a factor of production. In the face of a consistently strong rise in labour costs, private firms will be reluctant to replace older, experienced, people with young, unskilled workers directly from school. Instead they will most likely attempt to replace lost labour by real capital, thereby adding to the demand for skilled, experienced workers if these are complementary to capital in production as they generally are. It is

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(1) George PSACHARAPOULOS, Rates of Return to Education, op. cit.

(2) The British Youth Council, Youth Unemployment : Causes and Cures, Report of a Working Party, March 1977.

in other words highly unlikely in view of the present economic realities to expect that pre-retirement of older workers will improve the labour market for the young and unskilled. The main effect would probably be an added boost to the drive for more capital-intensive production processes, or in other words exactly the opposite of what the British Youth Council hopes to achieve.

7. The time-lag of effects, and the comprehensiveness of policy-reform

Some policy measures, like job creation, have an immediate effect in reducing youth unemployment, but may be unable to solve it as a structural problem, or to influence career prospects for young people in the long term. On the other hand certain training programmes and school-work schemes may contribute to a gradual decline in youth unemployment and an improvement in career prospects, but their effects in the short term may be negligible. There is an obvious political bias towards the former, but there is also the additional advantage of such measures that they are more easily evaluated. Thus errors may be detected and programmes changed relatively quickly, while years may pass before the effects of more basic qualitative measures are detected.

A related problem is the constant call for comprehensiveness in the approach to policy in this field. It is argued that policy measures have to be consistent and all-embracing as they influence objectives simultaneously. One particular initiative may have no effect if not coordinated with all others which are relevant. As a general statement, this is probably true : but it may also be no more than an excuse for doing nothing, and may possibly adversely affect reforms even when these are relatively self-sufficient.

From a policy point of view it is essential that projects can be evaluated, so that policy-makers can learn from unavoidable mistakes. However large, comprehensive schemes will tend to defeat such a process, for it will not be possible to trace or identify mistakes in a framework where hundreds of variables may influence both objectives and each other simultaneously.

This reaction against comprehensiveness is mainly directed against the extreme position taken by some, that one cannot hope to change the educational system or its relations with society, without a parallel fundamental change in society itself. It is not a call for the opposite extreme. There are policies which of necessity must be comprehensive, such as for example those aimed at forging a closer link between school and work. And the more limited projects need to be undertaken within a common framework, so that a clear link can be established between objectives, and methods of attaining those objectives.

C H A P T E R V - A SHORT SURVEY OF CURRENT POLICIES AND POLICY EXPERIMENTS TO COPE WITH YOUTH UNEMPLOYMENT

This chapter has been divided into two sections ; first, a short survey of current policies in Europe (1) and second, a "confrontation" of this evidence with the effects of relevant policy programmes as they have been assessed. All but one of these programmes are American, the exception being British. The experience of a Swedish experiment will also be discussed.

1. A survey of current policy-measures to cope with youth unemployment in Europe

.The Netherlands

School-leavers in Holland are a difficult group to place in work as the majority fall under the Part-Time Education Act, which restricts 16 year olds to work three days a week and to study full time for the remaining two. Employers have been reluctant to hire this group of young people, presumably because it is costly and difficult to organise part-time jobs on so large a scale. To compensate employers for the extra expense of providing jobs three days a week for school--leavers, they are to be paid 60 guilders per week for each young person they engage, and this allowance will run for a year.

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(1) For an extensive list of policy measures to combat youth unemployment, see Peter MELWYN : Youth Unemployment : Roots and Remedies, ILO, Geneva, October 1977.

.Norway

In Norway, 20 % of unemployed teenagers had their applications for a place in vocational school rejected in 1975, which led the Government in consequence to create 4,500 extra places in secondary schools, two thirds of which will be allocated for vocational training. The objective is to provide a flexible scheme whereby one can alternate between school and work. Subsidies varying beween 2,000 and 4,000 Norwegian Kroner per year are paid to firms for each additional apprenticeship place provided.

A combined work/education programme of six weeks duration administered by the labour market authorities has recently been created. A majority of the participants are girls and enrollees do not represent the most disadvantaged groups. Participants may also continue for three further months in a more directly vocationally-oriented course, organised in cooperation with firms, schools and labour market institutions. They are paid a small salary and in addition, firms are subsidised by the number of participants they employ.

Norway is also experimenting with placing pupils in the last two years of 9 year compulsory school with employers for one or two days a week, and permitting those who complete that programme to obtain leaving certificates which qualify for entrance into post-compulsory schooling. The programme appears to have had a modest success so far as school grades are concerned, but it remains to be seen whether it will affect career prospects in any significant way.

.Sweden

The strong relationship between inadequate education and high levels of youth unemployment has convinced the Swedish authorities that one important policy-initiative would be to encourage youngsters to stay on at school. This is now done through active guidance and direct

intervention, and the initial results have been quite encouraging. In the long term however the effects are more doubtful, as the Swedish data shows a very marked tendency to drop out of secondary school. It is this drop-out problem which has led school authorities to consider a form of recurrent education at the secondary level, where schooling is now being divided into shorter units than a year, thus making it possible to leave after the completion of a unit, work for some time, and then return to school. Pupils can, in other words, alternate between school and work. Sceptics may doubt whether such a system will help the more disadvantaged to obtain a better education, but this remains to be seen.

Another preventive measure is to inform labour market exchanges of potential school-leavers, a considerable time before their actual graduation, so as to make advance planning possible and to collect relevant work offers. However the effects of this are uncertain, as the reduction in unemployment after it was first introduced might have been due to improved business conditions.

More effective help can be given to unemployed young people if they register at a labour exchange office and, to induce this, those under 25 are given a cash grant when they register. The scheme appears to have been relatively successful in reducing hidden unemployment.

Special emphasis is also given to the provision of on-the-job training. Firms willing to employ people under 25 and to organise training programmes as part of the job were given a subsidy last year of 5 Swedish Kroner per person per hour. The scheme seems to have had some success within the industrial sector, but the service sector has shown little interest (1).

High priority has also been given to sheltered work combined with

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(1) See discussion above page 66.

formal education in local government firms and institutions. Close contacts with the labour market authorities have been established and participants are able to get work as soon as jobs become available outside the agencies which have been providing their sheltered work. The average length of employment under this scheme is around five months and approximately 50 % of the participants had no previous work experience.

Taken together the Swedish programmes include all registered youths without work.

.Germany

The German system for vocational training and preparation is both impressive and unique in its comprehensiveness. All those who leave school at the minimum age are subject to compulsory day release for three years after doing so. But those who leave school successfully, approximately 75 %, are more equal than others. A young person will enter into a training contract with his employer, and for the next three years will study within the "Beruf" system which involves a planned programme of practical training and work, and education at a Beruf Schule normally once a week. This is known as the dual system, but impressive though it is, it nonetheless appears relatively powerless in facing the problems of the 25 % who leave school unsuccessfully and at times of relatively high unemployment, as at present, will not have training contracts. This is aggravated by the highly selective school system, which increases enormously the social distance between occupational groups in the labour market. Even for the 75 % who left school successfully, the system is very much dependent on the short term economic calculations of employers. In periods with strong economic growth and labour scarcity, it will absorb all qualified applicants. But as soon as the demand for skilled workers slackens and the available apprenticeship places fall short

of the number of successful compulsory school-leavers desiring a training contract, it is not able to respond. In more difficult times like the present therefore this laissez-faire approach to youth unemployment needs to be supplemented by active intervention from government and local authorities.

For this reason a number of new initiatives have been taken to combat unemployment among young people without training contracts :

1) The number of training places available is required to be 12.6 % higher than that actually needed. If vacancies fall below this margin, private and public employers above a certain size have to pay a levy of up to 0.25 % of their wage bill, and this is the basis of a special fund to subsidise employers to take in more trainees. But the United Kingdom has had a similar system for some years which seems only to have had a marginal effect on the amount of training supplied.

2) Subsidies to encourage increases in employment or training have not been given high priority in Germany, but the state is empowered to pay up to 60 % of the wages of people for whom it is particularly difficult to find work. However, only 2,000 young people were helped by this scheme in 1975.

3) A programme of job creation has been initiated concentrating on the construction of communal facilities. 60 % of the total wages bill is given as a grant to the sponsors of these projects, and in 1975, 18,000 people participated, including as well as young people, older workers and the handicapped.

.The United Kingdom

The Training Services Agency (TSA) in Britain operates five kinds of industrial training courses for the young unemployed, generally

lasting thirteen weeks and organised in employers' establishments, colleges of further education and skill centres. Enrolment numbers were in the order of c. 10,000 in 1976 :

1) Short industrial courses :

i.e., vocational training to enable participants reach the level of a semi-skilled operator, or junior clerical level. The training includes elements of life and social skills.

2) Occupational selection courses :

These start with a period of assessment, following which participants then undergo training within an occupational area indicated by the assessment. The impression of instructors is that this technique improves learning motivation by enabling trainees to observe and assess their own abilities.

3) Wider opportunity courses :

These are experimental courses where no attempt is made to provide training for a specific skill. The aim is rather to widen employment opportunities by giving participants the opportunity of job related tasks. The courses are intended for the very small minority of individuals who are lacking in motivation to an exceptional degree. They are at present being evaluated at the University of Cambridge, but if American experience were any guide, it is doubtful if a general development scheme unrelated to specific job requirements will be of any value (1).

4) Preparatory courses :

Preparatory courses are not vocational but intended primarily

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(1) See pages 86-87 below.

to provide basic skills for young people sufficient for the purposes of a job or to pass the selection test for a TOPS (Training Opportunities Scheme) training centre. The programme is mainly of benefit for the children of immigrants.

5) The TOPS-programme :

This scheme offers free training, to both men and women and with pay, irrespective of whether they are in full employment. Courses are open to all over nineteen years old, but special courses are available for young people aged under nineteen. One problem with publicly funded schemes such as this, which mostly take place in skill-centres and colleges of further education, is that they may lead firms to cut back on training where it is best done - i.e. the factory floor -, and thereby in reality worsen training prospects for young school-leavers.

The United Kingdom also introduced various subsidies to create more jobs and training places :

1) The Youth Employment subsidy, offered a subvention of £ 10 per week over 26 weeks for each person who started work between 10 October 1976 and 31 August 1977, provided that he was under 20 years of age and had been registered as unemployed for a continuous period of six months or more. However, fewer applications than anticipated for this subsidy were in fact approved, some 9,600 by February 1977.

2) The Temporary Employment subsidy is made available to companies prepared to defer redundancies affecting more than 10 workers. It amounts to £ 20 per week per worker. By February 1977 over 200,000 workers had been saved from redundancy by this scheme, of whom approximately 19,000 were under 21 years of age.

3) In addition to these arrangements, the United Kingdom has also operated for more than a decade, an Industrial Training Act, which provides the basis for collective financing of industrial training in Britain. Although it is not intended to finance training for unskilled teenagers, solely, such a scheme has important repercussions for this group. There have been some attempts to assess the effects of the Industrial Training Act, and we shall return to these in the next section.

Apart from these indirect methods to sustain and increase employment and training, a Job Creation Programme has recently been introduced by the Manpower Services Commission. This programme attempts to provide worth-while temporary jobs on projects which will benefit the community for people who would otherwise be unemployed. Priority has been given to the age-groups under twenty and over fifty. Some 60,000 jobs have been created, and over 70 % of the first 3,500 projects were sponsored by local or public bodies. However, there appear to be two major weaknesses with this programme so far as young unemployed are concerned. Firstly the short life-span of the programme means that it provides little of lasting value, beyond keeping the young off the streets, temporarily doing some valuable work. And second their training content is very low, and coordination with local education authorities and the Training Services Agency, minimal.

Another programme, particularly designed for the young and with special emphasis on worth-while experience and training, is the Work-Experience Programme, through which unemployed 16-19 year olds spend six months in various institutions gaining experience of working life. In general the programme must include a short induction period followed by a series of planned tasks offering a variety of work experience. Training or education must be combined with work experience, and career guidance opportunities be available for participants. By the beginning of 1977, 11,000 places had already been created and

at the time 500 additional places were being created each week. While it is obviously too early to attempt a proper assessment, some initial statistics are available on actual performance. These suggest that the scheme does in fact reach the poorly qualified, as the large majority of participants only have minimal educational qualifications. More than half (55 %) are girls and about 90 % aged seventeen years or less. And 60 % had already experienced unemployment of more than six weeks.

But some important weaknesses with the programme are already apparent. There is no provision for assessing the needs and interests of participants so as to create a dual link between the pattern of work experience and qualifications, interests and motivation. Specific on-the-job training is not an integral part of the programme nor is it supposed to interfere with normal recruiting and placement of workers in the firm where work experience is provided. Thus its main effect may be a holding one providing very little of lasting value, beyond the positive effect of natural maturing. It is likely that the lack of specific on-the-job training will be crucial to the longer terms benefits of the programme, as United States experience tends to suggest that it is mainly those programmes where training is closely attached to the requirements of specific jobs, which have had any lasting effect on the employment prospects of underqualified school-leavers.

2. A general assessment of European measures

The information provided above on various policy measures undertaken in European countries leads to the conclusion that short-term measures to take the young out of unemployment have been the overriding concern, although some notable exceptions can be found, particularly in the United Kingdom and Sweden. Thus priority has been given to keeping the young in school, while the relevancy of educational experience

for underqualified school-leavers has been of less importance. Similarly with job-creation programmes where the availability of additional work places has been given priority over training content, or the provision of specific skills.

These may well be viable policies if the present widespread youth unemployment is a short-term phenomenon, likely to be reduced considerably as economies begin again to attain stable growth paths.

However, although the evidence is clearly conflicting, this paper has attempted to argue that structural changes may have taken place, which have reduced the employability of school-leavers with minimal educational qualifications. If this is correct then present policies are inadequate, assuming that one's objective is to provide stable employment for all who seek it, and not only the creation of work places irrespective of long-term prospects.

Another distinctive feature of the training programmes and educational reforms which have been considered, is the way in which they treat all categories of early school-leavers equally, with little regard for the variety of the personal characteristics prevalent within this group. The same programmes have been applied to everyone without much attempt to assess the possibilities of success. Even though European action to cope with youth unemployment appears to have been on a relatively larger scale than in the United States, it may well be repeating the mistakes of the manpower programmes undertaken in the United States during the sixties, which stressed general human resource development and job-creation, a strategy later acknowledged to have much less effect than expected. This was primarily because very little consideration was paid to personal characteristics in constructing and managing these programmes, and because the link between training and specific job requirements was often non-existent. Nonetheless as a learning experience the American programmes have been

very useful, and as such probably necessary for it is only with the benefit of hindsight that mistakes and inefficiences are clearly revealed.

.Policy programmes in the United States

These deficiencies in established manpower programmes in the United States have come to light as a result of the extensive evaluation which has been undertaken, and may be illustrated by a brief discussion of the effects of three different training and manpower programmes :

1) The Job Corps Program
2) The Manpower Development and Training Act Institutional Program (1)
3) The Concentrated Employment Program (2).

Of these, the first is the most ambitious ; indeed it is probably the most ambitious of all federal manpower programmes. Its objective is to provide the disadvantaged in the 16-21 age-group with all the services necessary to increase their employability. In 1974 more than 60 % of the enrollees were non-white, approximately 40 % came from families on welfare, 90 % had less than high school education and nearly 50 % had less than 6th grade achievement, which in the American context represents a highly disadvantaged group. The level of ambition of the programme is reflected in its cost per enrollee, $9,200 in 1974.

In order to increase appreciably the employability of enrollees, a minimum length of three months training is considered necessary, and it is here that the most important failure of the programme lies in inducing enrollees to stay for a sufficient period of time. In 1974 a quarter dropped out after less than 30 days, and half did not finish the first three months. In other words apparently only a minority of this disadvantaged group were willing to benefit from

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(1) MDTA.

(2) For an extensive survey of training and manpower programmes in the United States, see R. TAGGART, "Employment and Training Programs for Youth", in From School to Work, op. cit.

extended treatment. This high drop-out rate is not really surprising given present knowledge about the motivation and aspirations of the most disadvantaged groups. It also raises a question mark over all programmes of the recurrent education kind, which attempts to solve the problems of inadequate training through an educational "second-chance" policy. We can be reasonably certain that a system of recurrent education will benefit least of all the most disadvantaged.

Follow-up studies of the labour market success of enrollees in the Job Corps Program indicate major improvements in initial earnings, but these gains decline after twelve or eighteen months. However, the rate of employment of terminees has increased during the seventies despite the rising level of unemployment. In 1974 two thirds of the terminees were employed and another 20 % back at school or in the armed forces, compared with 59 % and 11 % respectively in 1969. And during the same period, increases in average learning rates have also been recorded.

In economic efficiency terms the effects of the programmes are mixed. Benefit-cost studies yield different answers ; one by the Office of Economic Opportunity finding that benefits exceeded costs, but another based on the same data, but using different assumptions, concluding that "these investments are decidedly unprofitable"*. The programme improved however when training was narrowed to specific job requirements. "The key seemed to be the ability to gain access to better jobs rather than efforts to alter the attitudes and values of enrollees"* . Cooperation with trades unions seems to have been of particular importance. In the construction trades, linkages with the unions resulted in a job training match of 45 % and an average hourly wage of $ 3.00 compared to an overall wage of $2.23. When there were no linkages with the labour market, better jobs did not

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*R. TAGGART, op. cit.

result even in low unemployment occupations. More placements were obtained, but almost no earnings gains recorded.

The MDTA-programmes (1) focus primarily on vocational training in skill centres or on-the-job and have a much less ambitious objective than the Job Corps Program. Here also, the overall benefits of the programme have been reduced by a high drop-out rate among the young enrollees. Of those in the skill-centres, 35 % dropped out, while as many as 61 % dropped-out from training provided on-the-job. Follow-up studies of these programmes showed that the direct impact on later earnings was slight, but that reduced unemployment and increased labour force participation were major sources of income gains. However, long-term effects are expected to be small, since very few participants move out of the secondary labour market.

The third manpower programme, the Concentrated Employment Program, follows the others in the pattern of its effects. Designed to provide individual services in low income areas, with priority given to youth, and with half of the participants being high-school drop--outs, enrollees increased their earnings considerably during their initial period of work. Two thirds of the enrollees felt they had obtained jobs as a direct result of the services rendered and cost--benefit analysis has indicated that benefits outweighed the cost for the entire programme. Yet in 1974 only 27 % of the terminees aged 18 and under, stayed in jobs for as long as ninety days. For many this programme was therefore merely a holding action.

The evidence suggests that the failure to provide lasting jobs was mainly due to a lack of screening or assessment of participants, the philosophy being that everybody in apparent need ought to be served on an equal basis. By contrast, in a similar programme structured along the same line, the Opportunities Industrialization Center Program, great efforts were made to screen people for particular

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(1) See footnote (1) page 85.

jobs and long-standing contracts with employers were developed. As a result lasting jobs have been secured to a much greater extent.

Two general lessons seem to emerge from the American experience :

a) Training programmes ought to give more emphasis to schemes which concentrate on providing skills for specific jobs, carefully selected, and assessed in relation to the personal characteristics of the enrollee.

b) Aid to unemployed young people through general programmes is so diluted as to have little effect on the long-term employment prospect of the individual participating. The aim is to reach everyone, with the result that very few are helped. Aid should therefore be restricted to the disadvantaged who would not ordinarily obtain a job in the primary labour market. Broadly based programmes of short duration are of course always needed as much unemployment is short-term by nature, but the American experience suggests that they should be supplemented by individually oriented programmes, where a careful screening related to specific job requirements has taken place.

.Financing of industrial training in Britain (1)

As examples of methods to finance industrial training collectively, we shall consider two alternatives, both British :

1) the Industrial Training Act, and
2) a more recent proposal for a collective fund to finance industrial training.

The Industrial Training Act of 1964 had three main objectives :

a) to increase the amount of training in industry ;
b) to reduce the shortage of skilled workers and to improve the quality and efficiency of training, and

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(1) There are three main sources for this survey :
a) Investment in Training in Britain : An Assessment of the Costs of In-Service Training, with Particular Reference to the Industrial Training Act. DAS/EID 72.49 OECD, 1972 (Prepared by Maureen Woodhall).
b) Training for Vital Skills. Manpower Services Commission, 1976.
c) Vocational Preparation for Young People, Manpower Services Commission, 1975.

c) to distribute the costs of training more fairly across firms.

In order to achieve these objectives Industrial Training Boards (ITBs) were organised for each industry. On the one hand, these Boards make a levy on the payroll of each industry through the provision of grants. Prior to the enactment of the 1973 Employment and Training Act, most Boards imposed a levy somewhere between 0.5 and 1.5 %. However, that Act now limits the maximum levy to 1 % of the payroll.

The Industrial Training Act has come under considerable criticism ; particularly on the grounds that it did not provide additional funds for training, but merely reallocated them ; and did not subject the need for training in various forms to any method of assessment. One consequence of the Act may also have been to subsidize firms to carry out specific training which they would have done profitably in any case. It was also felt that if the motive was to stimulate general training, it might have been better to pay a subsidy to the trainee to compensate him for earnings lost in taking up training, rather than subsidising the employer. The Act was also critisised for being inadequately equipped to deal with the reallocation of labour between industries and regions, as its financial base was from industry alone.

The general picture after some years experience with the Act, is one of an initial marked increase in the volume of training, which gradually fell off. But there does seem also to have been a permanent improvement in the quality of training. It is however difficult to assess the extent to which the Act was responsible for this and on the whole it is probably fair to state that, from the point of view of early school-leavers, it did little to improve the situation. The Training Services Agency sums up its criticism by arguing that the levy/grant system has had only a limited success in persuading employers to finance training on the scale required, but agrees that

considerable progress has been made in improving the quality. Unless a new initiative is taken however, the Agency considers that training possibilities for young people are likely to worsen.

One alternative that has been proposed to the Act's financial dispositions is a collective fund for training. This would remove from individual employers, part or the whole costs of training for general skills, and bear those costs collectively. It is considered especially important to cover costs during the initial period of training. "It is the initial, generally off-the-job element of such training which is crucial, since it is then that the employer incurs the heaviest training costs, after that a trainee begins to make a contribution to production"*. If such a scheme were to be adopted, it would encourage employers to increase the intake of young people for general skill training, as the risks of losing on their investment would be reduced, and cost constraints on training largely removed, at least in the short term. The fund would be financed by the scheme's participants and would redistribute contributions so as to achieve the desired amount of training. But it would not be financed by industry alone, a considerable portion would be met from general tax funds. It is also foreseen that all economic sectors in principle will be covered by the scheme, whereas the coverage of the Industrial Training Act is rather limited. Most important of all however the fund would have a much more specific purpose than the Act "namely the achievement of a high and stable intake into transferable skill training as a means of securing an adequate supply of skilled manpower in key occupations"*. These would be regular decisions about the levels of intake into training for the occupations selected, and the operation of the fund would be geared to these decisions, it being equally important to ensure that there was no oversupply of training, as well as no undersupply.

One cannot evaluate a scheme which is still only in the form of a

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*Training for Vital Skills, op. cit.

proposal, but certain problems concerning its' operation are already apparent. The emphasis on forecasting training requirements which the fund, through its financing, will then attempt to achieve, puts the whole arrangement on a very uncertain basis which could potentially lead to a training policy with little relationship to the economic need for training in the relevant sectors. A lot of early school--leavers enter service - industries, which may not contain many of the most important occupations, and if this is true, the present proposal will not improve the situation for a large group of perhaps the most vulnerable early school-leavers. An important omission is also the lack of any funding arrangements for those cases where the trainee would be willing to bear the costs if appropriately subsidised.

.Vocational guidance and placement policy. A Swedish Policy Experiment (1), (2)

The Swedish experiment referred to above is an analytical study of the consequences of various efforts towards wider cooperation among education authorities, social workers, and labour market institutions with the aim of reducing youth unemployment through vocational guidance and a drive actively to assist the placement of early school--leavers. Five municipalities participated in the experiment which had a duration of one school year, 1 September 1975 - 31 May 1976, and it took in all those at school, born after September 1, 1955.

The main objectives of the experiment were the following :

1) through concentrated labour placement methods and educational measures, to offer young people below twenty years of age some form of education and/or employment ;

2) to analyse and study the problems which emerge during the transition from school to work ;

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(1) Report form the Swedish Directorate for Labour, the Vocational Guidance Unit, Stockholm, February 17, 1976.

(2) Intensified Work Placement for Youth. Institute for Social Research, Stockholm, March 1977.

3) to analyse forms of cooperation among employers, employees, school and labour market authorities ;

4) to study how a process of active guidance, first in school and later outside school, can contribute to solving the problems of the young unemployed ;

5) to clarify the nature and extent of so-called hidden unemployment among young people through active field work, and

6) to assess the need for staff both to deal with problems arising within the various cooperating institutions, and, in the actual place of work, to introduce young people to working life in as most appropriate a manner as possible.

The following policy instruments have been evaluated by the labour market authorities, as part of the experiment :

a) the information given to young people and their parents in informal groups ;

b) conducted visits of young unemployed to places of work, labour exchange centres and educational institutions ;

c) a direct search for unemployed young people in cooperation with schools, the social service staff in each municipality, and various youth organisations ;

d) the use of psychologists as consultants ;

e) the acquisition of places of work ;

f) the utilization of occasional job opportunities as a link in the long term solution of youth unemployment ;

g) active contact with young people who have obtained work or started on an education ;

h) cooperation with vocational guidance teachers in the case of difficult pupils in order to initiate special educational programmes for these pupils ;

i) contact with local government authorities and government institutions and firms in order to organise relevant types of sheltered work ;

j) active contact with youngsters placed in sheltered work.

Project groups were established in each municipality to administer the experiment, and have evaluated its results for the first four months of operation, i.e. until January 31, 1976. By then a total of 2,600 young people below the age of twenty had been involved, of which 1,650 were girls. As of January 31, 40 % overall had obtained work, the figures for girls in particular being 38 %. It should be noted however that these figures varied considerably between municipalities. Approximately 20 % had occasional work at the end of the year, and around 10 % had started some form of education, particularly the short duration introductory labour market courses. 6 % had been placed in sheltered work in public firms or institutions, girls to a somewhat larger extent than boys. Therefore after deducting 100 participants who left the sample on account of illness, military service, etc., we are left with some 600 people or 23.8 % of the original sample who had not obtained work, or were occupied in some form of educational activity.

As already mentioned it is possible to give a preliminary evaluation of the effects of the various policy instruments listed under (a) to (j) above.

a) Experience with information for groups of young people turned out to be very disappointing. Only very small groups or individual encounters were found to be possible ; and as a result to implement it would be very costly or at least very time consuming.

b) Conducted visits to firms and so-called "looking-for-work" tours where officials would accompany young people to the firm and participate during the interviews, showed that this type of sponsoring activity was often very necessary. Many young people showed clumsiness and lack of control over the situation, which would have resulted in an unsuccessful visit, but for the assistance of trained labour guidance staff.

c) and g) Direct search for young people in contact with labour market institutions, or active contact either with young people leaving school immediately after completion of compulsory schooling or drop-outs from general secondary education. In this case cooperation between the different participating institutions varied in quality between the municipalities, but seemed generally to have been satisfactory. Direct search led to very few young people without work, and as a result the project groups have begun to believe that so-called hidden unemployment may be lower than anticipated.

e) Acquisition of places : about 1,000 young people obtained work during the four month period. It was only in a minority of cases that work offers by firms to public labour exchange offices were relevant for people with a low level of formal education and scant work experience. "Campaigns" among firms to obtain work offers were usually quite unsuccessful. Experience in the municipalities participating seems to have been that individual acquisition of places was, to a large extent, the only possibility. Again therefore, acquisition of work

for young people with little education and no work experience tends to be a very costly and time-consuming affair.

A common experience with all of the educational measures attempted as part of the programme was that, even in the case of very short term vocational courses, it was difficult if not impossible to induce the young unemployed to enrol. Their rejection of any kind of schooling was almost absolute, even for those already unemployed for some time. In consequence the project groups tended to favour work--education schemes within firms, with subsidies from government, as likely to be the most effective measure.

The impression of the project groups was that the following factors were the most salient.

1) active personal support from trained vocational guidance staff during the actual act of application ;

2) ample time in which to organise acquisition of places to work, as so much time was needed in obtaining work for person unemployed ;

3) cooperation among institutions ;

4) conducted visits and "looking-for-jobs" tours ;

5) different types of short-term educational courses ;

6) increased availability of sheltered work.

More generally, it is clear that an organized transition from school to work for those who would have a high probability of becoming hard--core unemployed if not supported, is very time-consuming and also,

if conducted on a large scale, likely to be very costly. To be successful it would be very dependent on well organised cooperation between all of the institutions involved.

The Institute of Social Research in Sweden has analysed the effects of this intensified effort on the level of unemployment for teenagers in the five municipalities included. There are clear indications that it may have been reduced somewhat for both sexes, as a result of this effort, but for men, this may have had a negative impact on the employment opportunities of the 20-24 year olds. In other words, the problem was only transferred from one group to another. Clearly such a policy cannot stand alone, but it may have value as one instrument among many.

CHAPTER VI - SUMMARY AND CONCLUSIONS

In most industrialised countries young school-leavers, sixteen to nineteen years of age, represent a much larger segment of the unemployed than their proportion of the active population, and the rate of unemployment for this group has also tended to increase much faster than the average rate of unemployment for all age groups. As a consequence policies to deal directly with the problem of youth unemployment are under active discussion and beginning to take shape.

In this paper, we have given consideration to some theories of youth unemployment, and contrasted them with the available evidence from five countries in Europe, and the United States. We have presented the problem's salient characteristics and drawn out some of the relevant policy implications.

One theory, which we have called the institutional theory, attributed part of the high teenage unemployment to the content of education in compulsory schools (which in the USA would also include high school). Education in compulsory schools has increasingly been directed towards preparing pupils for further study. This is not unexpected as in most countries the great majority continue to some form of secondary education. But as a result of the preparation of this majority for continued schooling, the fairly large minority who leave at the end of their compulsory education, have become increasingly badly equipped to face the practical tasks of working life, since their educational needs are largely neglected. Thus they see the education they have received, particularly in the upper section of compulsory school, as being largely irrelevant to their needs. The fact that they then become unemployed is a result of their insufficient preparation for working life.

But this theory is clearly not sufficient as it does not give a satisfactory

explanation of why some pupils leave school early and some continue. Some additional causes must therefore be adduced. Social scientists have long been aware of the role of schooling in the process of social selection, where the children of the lower social strata leave school early, partly because the average level of cognitive ability is lower in this group than among pupils from higher social strata, partly because school values conflict with their own, and partly on account of low income families often needing the income of an additional worker in the family. Few social relationship are so well documented as the process of social selection in schools, and where evidence on personal attitudes is available, one major reason which early school-leavers give for leaving school is simply that they were tired of it, felt it was irrelevant, were not motivated, and needed to earn money.

Their very high unemployment rate in itself, as well as evidence provided by employers, career officers and employment agencies, points to the lack of a suitable education as a major reason for school-leaver unemployment. Seen in combination, both of the theories put forward above appear to fit the facts well.

But youth unemployment must also have an economic explanation, for even if the theory of social selection and the institutional theory fit the facts, both are clearly not sufficient, for the employment of any particular group of people is also a question of the cost of this labour compared with that of others. Obviously if the cost to an employer of taking on an early school-leaver was sufficiently low he would still be employed regardless of his social origin or his largely irrelevant education. Or, even if his background was favourable, he might choose not to work for a while if he considered his potential too low, or his preferences for other types of jobs than those offered were particularly strong.

An economic explanation of the problems of young people attributes their relatively high unemployment to various factors. In the first place the

cost of unskilled labour has undoubtely risen in all industrialised countries, compared with the cost of skilled labour, and that of real capital. The reason for this is partly the measures that have been taken to diminish the variation in distribution of earnings across skill levels, and partly the results of all kinds of effort to protect labour and improve working conditions. The latter in particular have inevitably increased the costs of labour compared with capital, which is especially serious in the case of unskilled labour, as this appears more easily replacable by capital than skilled labour. This rise in unskilled labour costs relative to other production factors has reduced its employability, and is the main reason why youth unemployment may have become a structural problem, or one which may persist in the future even in a situation of high and stable economic growth. This argument also leads to a related economic explanation which takes as its point of departure the fact that most of the training particularly useful to firms, takes place within them ; this means that the cost of training is a major determinant of employment. The lower ones' training costs, the higher ones' probability of becoming employed. Since the wages of unskilled labour have risen, relative to skilled labour, the costs of training the latter have been reduced and as a result people with higher levels of education are moving into jobs which earlier would have been filled by early school-leavers.

Yet another economic explanation emphasises the fact that adults or those with more formal education, will have more on-the-job training, and thus represent a capital investment for the firm. Loss of employment for those with considerable on-the-job training, will often mean a capital loss to the firm, as there is no guarantee that they will return to it. Firms are therefore bound to seek to stabilise employment possibilities for this kind of person. In contrast, young school-leavers represent no capital for firms ; they are the last to become employed due to their high training costs and the first to be sacked due to lack of training. In a sense therefore the economics of youth unemployment are a vicious circle : the difficulties of early school-leavers in obtaining employement arise from their

lack of relevant training, and, once employed, they may easily lose their job precisely because their high training costs do not motivate their firms to provide them with training.

The implications of the economics of youth unemployment mentioned above fit the facts well in every country we have considered. The level of unemployment is strongly related to the level of education ; youth employment is much more unstable than adult employment ; and it is young people with the lowest level of education who are often deprived of all training possibilities in the jobs they may obtain.

To sum up : the explanatory factors considered so far in attempting to account for the characteristics of youth unemployment, are, if taken together, supported by available data. Even if we are still far from a fully comprehensive picture of youth unemployment, the data collected and the explanations offered have clear implications for policy. We may say that any policy to reduce youth unemployment must deal with the content of the educational process, counter the effects of social selection, and include economic measures capable of motivating firms to employ more young people in jobs where they are given training.

If we consider first the implications for the educational process, it is likely that we shall be forced to consider solutions which will, to some extent, take us outside the confines of formal schooling. The point is that, if occupational learning is what early school-leavers lack most of all, then preparation for working life can never be efficiently or realistically organised as a part of formal schooling. Occupational learning is most efficiently carried out where work is done, that is in public and private enterprises. And even if it were possible to organise occupational training within schools, it would of necessity be forced to be general, and in reality therefore not occupational training, since it would be

impossible to forecast the training needs of the various firms concerned. Occupational training and training for specific skills should be organised as far as possible within firms, while general education and training is best undertaken within some kind of formal schooling.

Thus, we foresee a scheme in which separate activities, work and formal schooling are combined to form educational activities, even within the period of compulsory schooling. Such a reform must be planned very carefully and would take a long time to implement, for not only would it break with ordinary practice in compulsory education, but the economic institutions of society would have to become part of the educational system in a much more direct way than before. And in addition such an arrangement would, to a certain extent, run counter to one of the basic premises of educational policy in most countries that is, equalization of access to formal schooling. To propose a policy of this nature means in effect that we believe the present level of youth unemployment to represent to some extent a structural problem, or one requiring qualitative long-term changes, and not only short-term measures such as job-creation or work experience programmes. These will only serve as holding actions, until economies once again improve.

As an alternative to reform of the educational process, or in combination with such a reform, programmes will be required after schooling to initiate early school-leavers to the world of work. Such arrangements would be likely to have all or some of the following characteristics :

1) An induction period, where shcool-leavers are introduced to general aspects of the working situation, and their special interests and abilities assessed. Part of the induction period could also be used if necessary to improve performance in basic skills, like writing, reading and mathematics.

2) Work combined with training for a specific job, the requirements of

which are closely related to the personal characteristics of the participant.

3) It is likely to be essential to ensure adequate motivation that trainees be paid a "fair" wage. This will probably mean public subsidies to those private firms participating in the programme. To be successful a programme would also need the involvement of many institutions, such as the labour authorities, schools, social workers, trades unions and business associations.

Another policy area related to the content of education as well the consequences of social selection, would be all measures which can be placed under the heading : occupational information. This would not only involve "passive" information concerning occupations, wages, working conditions, educational requirements and the like, but also active guidance, where potential school-leavers would be identified and relevant institutions outside their schools notified a long time before they actually ceased schooling.

To be effective, a careful assessment of the needs of potential participants in the manpower and training programmes proposed is likely to be required. Many young people will overcome the period of transition to work without much difficulty. In that case participation in, for example, job creation programmes is sufficient as a short-term measure to prevent unemployment.

A fairly large proportion of pupils about to leave compulsory school are undecided about whether to leave completely or to continue their education. As suggested above, the reasons for this may be economic, and a useful measure to counter the social selection process may therefore be to extend the possibilities of obtaining scholarships on social grounds to all levels of secondary education. Other initiatives which could be useful in this context would be all kinds of arrangement whereby secondary education and

work are combined, in such a way as to allow individuals work and earn money, and at the same time obtain more education.

There are two types of economic policy measures specifically designed to cope with youth unemployment :

1) short-term job-creation programmes ;

2) measures to increase the supply of jobs where training can be provided for early school-leavers.

In the long run the latter will be the most important and it is essential that the major proportion of jobs of this kind are created in the private sector. The most powerful policy-instrument available to induce firms to increase their supply of training is probably some kind of collective financing. We have argued already that early school-leavers may be especially costly to train and that firms will therefore require subsidies to cover some of their costs. But there is an additional reason for collective financing which is particularly relevant in the case of early school-leavers. Most training schemes within firms cannot avoid producing transferable skills, and young people, especially with a low level of education, are, as a group very prone to a high rate of turn-over. Thus most firms are reluctant to provide training for fear that they might lose on their investment and, instead they attempt to hire skilled labour so as to avoid training costs. The end result is to produce less training than is socially desirable, especially with regard to early school-leavers. More would be forthcoming if a proportion of the relevant costs were borne collectively ; the problem of some firms losing on their training expenses would then be avoided.

It is likely however that there is a group among early school-leavers who are unable, for social, psychic or physical reasons to function in an ordinary work place, and whom the policy measures mentioned above would

not affect. For these people work places sheltered from the ordinary economic and social requirements should be available.

Finally, it needs to be stressed that the most essential policy measure of all is to pursue a general economic policy of full employment, without which it will be an almost impossible task to implement successfully any of the other measures described in this paper.

The above suggestions for policy measures do not imply that available information on youth unemployment is sufficient. Our analysis has in fact revealed important gaps in the statistical information on youth unemployment, particularly in Europe. These gaps concern, among other things, the duration of unemployment.

It is indeed possible to argue that the duration of unemployment is the central statistical variable in any interpretation of the importance of youth unemployment. For if the majority of youth tend, as available data show, to experience unemployment of rather short duration, there is no urgent need to use scarce resources on this group which, after a short spell of unemployment, will become employed anyway. But data on the duration of unemployment are often completely lacking and in most cases recorded by faulty methods (1). It is especially important to record the characteristics of youth with a relatively long duration of unemployment, i.e. their level and type of formal education, previous work experience and on-the-job training, age and sex.

The rate of turnover, or the rate of job change within a certain time period, is also an important variable on which information is very scarce. We know in the case of a few countries that certain groups among the young have a very high rate of job change, which may gradually lead to a bad employment record and a lengthening of the duration of unemployment with age. The rate

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(1) On the problem in measuring duration of unemployment, see Stephen W. SALANT : "Search Theory and Duration Data : A Theory of Sorts". The Quarterly Journal of Economics, February 1977.

of job change within a year by level and type of education and training, sex and age will provide policy makers with very useful information.

Gaps in knowledge relevant for policy purposes cannot, however, be remedied merely by better statistical data. There is a need for specific research in certain key areas, which would seem to be :

1) Evaluation of manpower and educational programmes for young people in view of stated objectives of these programmes. In the first place it is essential to know whether the policy effort reaches the target group. Secondly, due to scarce resources, an identification of the groups with particular problems during the period of transition must be undertaken. As mentioned above, many young do not have such problems and, therefore, do not need specific assistance. Thirdly, it is important to at least attempt to evaluate the impact of the respective programmes on later employment prospects and earning. (Needless to say that this is a most difficult task).

2) Even if some information is available, more knowledge is required about the characteristics of the jobs early school-leavers obtain. This information should relate in particular to :

   - training and employment prospects of these jobs ;
   - the possibilities for replacing labour with capital ;
   - potential competing groups, e.g. adult women with low skills ;
   - the impact of labour legislation on job opportunities and job characteristics.

3) The processes in school and society which lead to educational alienation and insufficient preparation for working life are not adequately understood. In particular there is a need to design educational methods combining schooling and work experience. Such methods should at the same time satisfy the needs of the majority of young who continue their schooling, and the needs of the important minority of early school-leavers whose requirements seem, in the present situation, to be largely neglected.

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